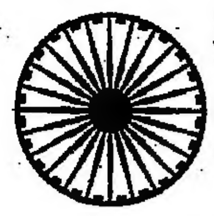


Indian scandal
How foreign banks are involved
Page 6

Thailand
How lasting a solution?
Page 6

Survey
Vienna
Pages 27-31

Tomorrow's Weekend FT
Richard Lambert on the future of South Africa

FINANCIAL TIMES

Friday May 22 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Thai protesters continue to press for election

Pro-democracy demonstrators released from Bangkok jails vowed to pursue their campaign for the resignation of Gen Suchinda Kraprayoon, Thailand's unelected prime minister. Small groups marched peacefully to the city centre to mourn the 40 or more people killed by soldiers since Sunday. Page 16; Stand-off in power struggle, Page 6

Pirelli, Italian tyre company, is attempting to curb shareholder voting restrictions at Continental, Pirelli's German rival. The move marks a new outbreak of hostilities between the companies which abandoned merger talks last December. Page 17

Battle for Midland: The EC competition commissioner ruled out an extended investigation into the Midland bid from Hongkong and Shanghai Banking Corporation, setting back Lloyds Bank's hopes of succeeding in its rival bid. Page 16

Fokker, Dutch aircraft maker, insisted on its remaining the "leading company" in any deal that involves selling most of its shares to Deutsche Aerospace of Germany and, possibly, to Aerospatiale of France and Alenia of Italy. Page 17

Backing for Armenia: Russia signalled its support for the Armenian republic after Turkish threats of military intervention in its conflict with Azerbaijan. Page 16

Olympia & York offered its creditors financial safeguards aimed at thwarting efforts to reverse the freeze on the troubled developer's Canadian debt obligations. Page 19

Croatia: The UN peace plan for Croatia was jeopardised after the Serb-dominated Yugoslav army halted its withdrawal from the east of the republic.

Japan's big six trading companies expect a fall in sales and earnings for the fiscal year ended March 31 due to the global economic slowdown and sour financial investments. Page 20

In praise of capitalism: Chinese Communist party leader Jiang Zemin gave a glowing tribute to capitalism, placing himself firmly in the pro-reform camp. Page 6

Nigerian riots: Violence between Moslems and Christians, in which at least 250 people have been killed, continued in the main city of Lagos and a township near the official capital of Abuja. Military drives country to the brink, Page 6

Crimea: Russia's parliament adopted a potentially explosive resolution declaring illegal the transfer of Crimea to Ukraine in 1954. Page 2

Opec meeting: Ministers of the Organisation of Petroleum Exporting Countries reported early progress in talks to bridge the gap between members favouring higher prices and those preferring raised production. Page 40

Bush denies cover-up: The White House angrily rejected charges of covering up improprieties related to more than $4bn of loans to Iraq by Italy's Banca Nazionale del Lavoro. Page 5

EniChem, troubled Italian state-owned chemicals group, saw losses leap to L742bn ($615m) in 1991 against L68bn the year before, confirming immense difficulties at the group. Page 19

Deutsche Bank, Germany's largest bank, said its profits growth had slowed and indicated there was little chance of a further dividend rise. Page 18

Israeli raids: Israeli aircraft bombed Hisbollah targets in Lebanon, killing nine guerrillas and wounding 30, with unconfirmed reports that one of the dead was an Iranian revolutionary guard. Page 6

Morgan Stanley, New York investment bank, continued Wall Street's spate of strong earnings when it reported first-quarter net income of $189.1m. Page 19

Kurdish poll: Results of elections in northern Iraq could be delayed several more days, with the possibility that Kurds in some areas might have to recast their votes.

BT, UK telecommunications group, argued that its prices should be less tightly regulated following the first drop in its profits since privatisation eight years ago. Page 17; Lex Page 16

N-test in China: The US urged Beijing to exercise constraint after Sweden monitored an underground nuclear test in China, estimated at one megatonne.

Los Angeles riots: The recent disturbances cost insurers an estimated $775m, making them by far the most expensive civil disorder ever seen in the US. Page 20

STOCK MARKET INDICES

FT-SE 100:	2,708.8	(-9.9)
Yield	4.55	
FT-SE Eurotrack 100	1,187.67	(-0.05)
FT-A All Share	1,314.89	(-0.3%)
Nikkei	18,891.23	(+16.98)
New York lunchtime:		
Dow Jones Ind Ave	3,372.81	(-21.23)
S&P Composite	412.94	(-3.05)

US LUNCHTIME RATES

Federal Funds:	3¾%
3-mo Treas Bills: Yld	3.748%
Long Bond	101½
Yield	7.888%

LONDON MONEY

3-mo Interbank	9⅞	(10%)
Liffe long gilt future:	Jun 98⅝	(Jun 98⅞)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$19.95	(19.225)

Gold

New York Comex (May)	$337	(338)
London	$336.9	(337.3)

STERLING

New York lunchtime:		
$	1.8165	
London:		
$	1.8175	(1.83)
DM	2.9325	(same)
FFr	9.865	(9.86)
SFr	2.6926	(same)
Y	238.75	(237.25)
£ Index	92.9	(93)

DOLLAR

New York lunchtime:		
DM	1.6165	
FFr	5.43075	
SFr	1.484	
Y	130.22	
London:		
DM	1.614	(1.602)
FFr	5.4275	(5.3875)
SFr	1.482	(1.4715)
Y	130.2	(129.65)
$ Index	63.0	(63.2)
Tokyo close Y 129.81		

Austria	Sch30	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs25	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.90	Norway	NKr15.00	Switz	SFr3.60		
Denmark	DKr14	Italy	L2500	Oman	OR1.25	Thailand	Bht60		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.00	Kuwait	Fils.600	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

US challenged to match the Community's deep cuts in agricultural price subsidies

EC agrees shake-up of farm policy

By David Gardner in Brussels

THE European Community last night agreed to implement the most radical overhaul of the Common Agricultural Policy in its 30-year history, overcoming the resistance of Italy, which had insisted on the right to produce more milk.

Mr Ray MacSharry, EC agriculture commissioner, immediately challenged the US to match the Community's deep cuts in farm price support, and collaborate to reach a conclusion of the Uruguay Round world trade talks.

The agreement, greeted by nearly all EC farm ministers as historic, should lead to the end of food mountains in Europe, lower retail food prices and give EC farmers more stable incomes and a sharper competitive edge.

Mr MacSharry said: "We have charted a different course after 30 years."

Mr Louis Mermaz, the French agriculture minister, hailed the agreement as "a fundamental change from traditional [EC] agriculture towards a competitive model, with, of course, compensation for our farmers."

Mr John Gummer, the UK farm minister, called the deal "a major breakthrough which will bring the Community into line with the rest of the world".

Mr MacSharry's reform blueprint was unanimously opposed when unveiled 18 months ago. But the package was accepted this week after four days and three nights of negotiations.

Italy, although in agreement with the reform, held out until last night to try to get part of its illicit excess milk production retrospectively validated. Italy is entitled to produce 9m tonnes of milk under the EC quota but in fact produces 11.5m tonnes.

By dawn yesterday, however, Mr MacSharry had assembled a clear majority, partly by offering a range of concessions. The Portuguese presidency of the EC put the package through under the weighted majority voting system. "We took our political courage in our hands," Mr Arlindo Cunha, Portugal's farm minister said. Mr Giovanni Goria, Italy's farm minister, said Rome would take the dispute to June's Lisbon summit of EC heads of government.

At the centre of the package is a 29 per cent cut in cereals prices over three years, which should lead to cheaper feeds for livestock, enabling a 15 per cent cut in beef price supports, and a 5 per cent cut in the butter price. Sheep and beef will now be subject to quotas like milk.

The cuts are designed to move EC agriculture towards world prices. Farmers are fully compensated for them directly, but big farmers have to take 15 per cent of their land out of production to get these payments.

The cuts should eliminate export subsidies almost entirely by 1996-97. This, and the EC's new ability to offer guarantees on restraining production, should give momentum to the stalled Uruguay Round negotiations, which resume between the US and EC next week.

In aggressive mood, Mr MacSharry said: "We can say, with our chests out and our heads held high, and with pride, that you [the US] match what we have done, and then we can get progress."

A spokesman for the US trade representative said: "We are hopeful that reform would bring the EC's internal prices closer to world prices, and promote greater and fairer competition in EC and world markets. Also, we hope that the [CAP] agreement would allow the EC greater flexibility in the multilateral agricultural reform effort underway in the Uruguay Round."

Mr MacSharry insisted that the US should now accept the EC's demands that its direct compensation payments to farmers be allowed under General Agreement on Tariffs and Trade (Gatt) rules for subsidies which do not increase production and therefore distort trade.

The commissioner is also insisting that the Gatt requirement that signatories cut the volume of subsidised exports by 24 per cent be softened. He wants this cut applied to sectors rather than products, leaving the EC free, for example, to export more wheat if it cuts more barley.

Mr John Major, the UK prime minister, gave an enthusiastic welcome to the farm talks deal yesterday. He said an agreement on reforming the Common Agricultural Policy would be good for farmers, consumers and the future of world trade.

He was anxious, however, that the plan to shift the balance of EC spending from subsidies to income support should not unravel because of the demands of some countries for special treatment.

Path to Uruguay, Page 4
Editorial Comment, Page 14
Reforms with sense, Page 14
Lex, Page 16
Commodities, Page 40

UK bank carries out review after Indian loss

By Robert Peston

STANDARD CHARTERED warned yesterday that losses stemming from its involvement in India's worst financial scandal could reach £100m ($183m).

Mr Malcolm Williamson, Standard's managing director, said the bank was carrying out a review of its management procedures in the wake of the debacle.

He said there had been "no early warning" of a problem in India, where Standard is the second biggest foreign bank with 32 offices.

He was thus checking control procedures to make sure similar situations could not occur in the 54 other countries in which the bank has operations.

Late on Wednesday, only a week after Standard's London head office was first alerted to a possible problem in Bombay, the bank said it was making a provision of £50m. This would cover possible losses from its involvement in an arcane form of Indian securities business.

However, Mr Williamson said yesterday that the estimated loss was "arbitrary". Losses were "unlikely" to be more than £100m, he said, but they could turn out to be less than £50m.

The losses stem from Standard's exposure to Indian "bank receipts" – a form of IOU by which a bank promises to deliver government stock or equities to another bank on a due date.

Mr Williamson said that until last week he had not been aware that Standard was involved in issuing and taking this paper. The sums of money involved

Continued on Page 16
Background, Page 6

Quayle in furore over a fictional baby

By Jurek Martin, US Editor, in Washington

IT NEVER ceases to amaze that a single sentence can spawn a million words. Vice-president Dan Quayle's comment in California on Tuesday about a fictional television character could yet break all records. It could also make or break a few political reputations.

The furore surrounding his assault on the lifestyle of Murphy Brown, a forty-something white, wealthy career woman who chooses to have a baby out of wedlock, might be dismissed as just another example of the prevalent confusion between fact and fiction, but for its immediate political impact.

It has demonstrated, above all, how concerned President George Bush's re-election campaign is about shoring up his political base among Republican conservatives, previously attracted to Mr Pat Buchanan but now under threat from the prospective independent candidacy of Mr Ross Perot.

The clear strategy is for Mr Quayle, popular with such conservatives, to secure this heartland, while Mr Bush plays a more aloof role. The vice-president will be allowed to attack the media and all its creations, real and imagined.

Mr William Barr, the attorney-general, has been designated a key supporting actor in the upholding of law and social order.

The conservative message is that the collapse of traditional family values is the real dagger pointing at America's heart and a key factor behind the Los Angeles riots.

Both Mr Perot and the Democratic nominee, Mr Bill Clinton, neither a flaming liberal, subscribe in part to this theory but neither would have adduced the Murphy Brown programme to prove a point.

"It doesn't help matters when prime-time TV has Murphy Brown – a character who supposedly epitomises today's intelligent, highly paid, professional woman – mocking the importance of fathers by bearing a child alone, and calling it just another lifestyle choice," Mr Quayle said.

In the city ghettoes of the US, it is a fact that well over half of black children are born out of wedlock, well over half of all families are headed by single women, and over half of all families live below the poverty line.

But the relevance of their plight to the Murphy Brown character, a television anchorwoman played by actress Candice Bergen, is distant. One survey puts the programme, although the third most popular nationally, 55th among black TV audiences.

As for the election strategy obligation for Mr Bush to play a kinder, gentler role, events after Mr Quayle spoke laid bare one of the president's great weaknesses: his frequent inability, especially when impromptu, to articulate with any clarity what he does believe in. Mr Bush seemed embarrassed, almost hapless, in the face of a barrage of reporters' questions.

Abortion, which the president now opposes, is at the heart of the row. It could be an Achilles heel for him this year. Only this week, Mr Bush announced that a new human tissue bank would not be allowed to use tissue from aborted foetuses.

Yet an ambivalence, an apparent desire to have it both ways, remains. This leaves the president politically vulnerable to the more confident assertions of his opponents and even of his supporters.

Mr Quayle does at least state what he thinks, with confidence, which is why some pundits have taken to referring to him as the stronger part of the Republican presidential ticket this year.

Fact or fiction: US vice-president Dan Quayle during the speech to Los Angeles students in which he criticised the lifestyle of a TV character who has an out-of-wedlock baby.

SEC may relax rules for foreign fund sales in US

By Nikki Tait in New York

FOREIGN investment companies could find it considerably easier to sell their shares in the US under a rule change being considered by the Securities and Exchange Commission, the US securities industry watchdog.

In a report released yesterday, the SEC's investment management division suggested that foreign funds should be allowed to offer their shares in the US without having to register with the SEC, subject to certain conditions.

In theory, this could cover, for example, British unit trusts or investment trust shares.

One condition would be that the foreign funds demonstrate that regulation in their home country provided a level of investor protection which was "substantially equivalent" to that provided by the SEC.

A second condition would entail some reciprocity, with the foreign funds' home country allowing US investment company products to be sold there.

The recommendation comes as part of a review of the 1940 statute which covers investment management in the US.

Staff at the SEC have been considering possible revisions to the rules for the past two years. As well as the foreign investment company proposals, the report recommends deregulating sales charges for mutual funds in the US; allowing funds to redeem shares at specific intervals; and exempting from SEC registration funds that are limited to sophisticated investors.

Another proposal would let investors purchase mutual fund shares directly through advertisements without first having to send for a prospectus. The advertisements would contain information about fees and expenses, performance data, and risks.

In the past, foreign funds have found it extremely difficult to offer shares in the US.

No foreign investment company has registered in the US since 1973. However, some of recommendations would require legislative changes.

One US lawyer noted yesterday that an earlier proposal to allow non-US mutual funds to sell products in the US failed to get through the legislature in 1984.

SMITH BARNEY, the New York broking house, said it had held discussions with General Electric, the parent of securities firm Kidder Peabody, about buying all or part of Kidder. However, Mr Frank Zarb, Smith Barney's chief executive, said the firm was not now pursuing the discussions. Page 17

CONTENTS

Fears grow that war could break out anew in Croatia

UN in disarray as Serbs halt Croatia pullout

By Laura Silber in Belgrade, Judy Dempsey in London, and Michael Littlejohns in New York

THE future of the United Nations peace plan for Croatia was yesterday thrown into disarray after the Serb-dominated Yugoslav army announced it was halting its withdrawal from the east of the republic.

The army statement coincided with renewed calls to the international community by Mr Haris Silajdzic, Bosnia's foreign minister, to send troops into the besieged city of Sarajevo, the capital of Bosnia-Hercegovina.

The military statement said the army had decided to halt its planned withdrawal and would "undertake measures to defend its territory, population, and its forces in eastern Slavonija, Baranja, and Western Srem, Serb-occupied territories in Croatia".

The army's withdrawal is a key element of the UN plan agreed last December between Croatia, the UN and the Yugoslav federal army.

Western diplomats said the army's statement could mean the start of another war in Croatia.

But a UN official, anxious to salvage its peace mission in Croatia last night said the delay in the army's withdrawal was only suspended. She said the evacuation of the protected areas was supposed to be on a mutual basis, adding that three Croatian tanks had failed to pull back from the eastern sector.

General Satish Nambiar, the UN commander, was holding negotiations with army commanders.

However, western diplomats expressed serious doubts over the success of the UN operation. "Time is running out," a senior defence attache said. "We are faced with delays in Croatia. It is becoming tense there again. We have talked about sending in aircraft to relieve Sarajevo, we have talked about imposing a wide range of sanctions. But we must have the political will to stop Serbia and to prevent the war from spreading to Kosovo and other parts of the Balkans," he said.

Yesterday, armed Serb militiamen finally allowed 6,000 Moslem women and children to travel to the western Croatian city of Split.

They had been held hostage on the outskirts of Sarajevo by Serb gunmen demanding that food be allowed into the federal army barracks in Sarajevo. But the federal army and Serb irregulars continue to deny the people of Sarajevo any food, medicine and water.

"The army is starving the city into submission. Why is it that western aircraft can protect the air space for the Kurds, but it is unwilling to protect the air space and free the airport in Sarajevo in order to feed our people," Mr Silajdzic said. Serb forces already control two-third of Bosnia.

In Austria, Mr Alois Mock, the foreign minister, said the only chance to secure peace in Bosnia-Hercegovina was to create a restricted security zone around Sarajevo.

In Brussels, Mr Willem van Eekelen, secretary-general of the nine-member Western European Union (WEU) criticised European Community states for their reluctance to use force to stop the fighting in Yugoslavia.

Mr van Eekelen said "We recognised these republics [Croatia and Bosnia-Hercegovina], but we were not prepared to defend those countries."

"I think we have to do more to remain credible and faithful to our own principles," he said. In Lisbon, attempts to reconvene the EC-sponsored peace talks stalled after Moslem representatives from Bosnia were unable to travel outside the republic.

Mr Silajdzic said the peace talks were being undermined by Serbia. "None of the agreement set down at the previous talks have been fulfilled. The roads [in Bosnia] have not been unblocked, and the airport has not been freed. Our country is being overtaken by fascists," he said.

In Bosnia, Borba, the Belgrade daily reported that General Ratko Mladic, commander of the Serb army of Bosnia, demanded martial law for all Serbian-controlled territory, including suspension of all civilian institutions.

Moslem fighters take cover during a street battle in Sarajevo

Donors to draw up plan for aid to CIS

By Anthony Robinson, East Europe editor

WESTERN aid donors and senior officials from the independent states of the former Soviet Union will seek to draw up a structured approach to technical and other assistance during a conference in Lisbon this weekend.

The ministerial meeting, organised by the European Community, is a follow-up to the US-organised donors conference held in Washington last January to co-ordinate emergency humanitarian aid. Since the original meeting aid worth another $9bn has been added to the $77bn then pledged by over 50 donor countries.

Over 70 per cent of the total aid and credit commitment has come from EC countries, with the biggest share from Germany.

Since the original meeting the Group of Seven industrial countries, together with the International Monetary Fund and other institutions, has put together a $24bn aid package for Russia, including a $6bn rouble stabilisation fund and all the former Soviet states have become members of the International monetary Fund and the World Bank.

In Washington, donors agreed to set up working groups to co-ordinate technical assistance and provide practical assistance in key areas such as energy, agriculture, health and housing. Priority areas for assistance include help to make safe Soviet-designed nuclear power stations throughout the region.

The conference will be an opportunity for the smaller republics in particular to make a pitch for long-term assistance needed to help them re-adjust to life without the subsidies of the former Soviet structure.

The atmosphere for this first formal dialogue between former Cold War enemies in their new roles as donors and aid recipients is expected to be further lightened by the signature of a Strategic Arms Reduction (Start) protocol by Mr James Baker, the US secretary of state, and foreign ministers from the four CIS nuclear states – Russia, Belarus, Kazakhstan and Ukraine.

Nato ready to step outside its borders

By Our Foreign Staff

NATO countries have agreed in principle that the alliance would be prepared to take on a peacekeeping role in Europe beyond the borders of its member nations, Secretary-General Manfred Woerner said yesterday.

Mr Woerner, said details had still to be worked out but Nato foreign ministers are expected to give their blessing to the plan at a meeting in Oslo in two weeks.

Until now, Nato's military structure and forces have been limited to the defence of member nations, although there is no suggestion the alliance should get involved in Gulf War-style military intervention.

The decision could mean alliance troops might one day be deployed in peacekeeping missions, which until now has been the sole preserve of the UN, in places such as Bosnia or Nagorno-Karabakh.

"This is strictly for peacekeeping, not for warfighting," said one alliance diplomat.

According to the idea, backed by the US, Nato could put its military infrastructure, supplies or even troops at the disposal of the 52-nation Conference on Security and Co-operation in Europe (CSCE) for peacekeeping missions.

The fighting in Yugoslavia, Nagorno-Karabakh and the threat of new conflicts breaking out in an increasingly fragmented post-Cold War Europe have given impetus to the idea, which would mark a big policy change for the 16-nation alliance.

France and some others had hesitated over the proposal to extend Nato responsibilities. France, which feels that the US has too large a say in how European security is run, would prefer to develop other institutions like the nine-nation Western European Union.

Force may be needed to stop proliferation

By Robert Mauthner, Diplomatic Editor

THE major powers may have to use force to halt the proliferation of weapons of mass destruction in Third World countries, the International Institute of Strategic Studies warns today.

Regional efforts to acquire nuclear, chemical and biological weapons, ballistic missiles and advanced conventional forces "increasingly threaten not just regional stability, but even the global stability brought about by the end of superpower rivalry," the London-based institute said in its annual Strategic Survey.

If those on the verge of acquiring weapons of mass destruction could not be persuaded voluntarily to reverse their policies, the major powers might be forced to make them change their minds.

However the IISS dismissed as "laughable" any idea US forces could act as a "globocop".

The Institute suggested that 1995, when 146 signatories of the Non-Proliferation Treaty meet, might be the time for the nuclear power states to substantially cut their armaments.

Teasing out Milan's Swiss connection

Haig Simonian on an off-shore banking probe in Italy's expanding financial scandal

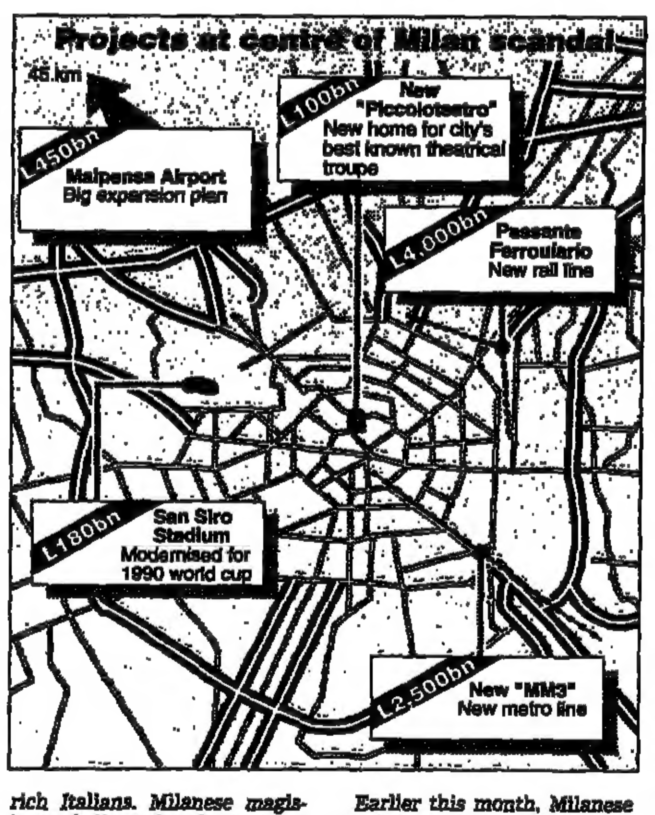
THE fast train for Lugano leaves Milan's vaulted central station at 25 minutes past the hour precisely. The 50-mile journey takes almost an hour-and-a-half, lengthened by passport controls and a change of engines at the Swiss border.

It is quicker by car, and probably a lot more comfortable in the sort of chauffeur-driven Lancia or Alfa Romeo saloon issued as standard to senior Italian corporate or party functionaries.

Either way, it is a journey which may have become familiar to many of the politicians and businessmen who have either been arrested, or are under investigation, by magistrates in Milan in what is fast becoming the country's biggest political corruption scandal since the war.

Three months of investigations since the arrest in February of Mr Mario Chiesa, the Socialist administrator who spilled the beans on a still widening web of urban skulduggery, has brought the Swiss link increasingly into the open.

The network of bribes paid by local companies in return for lucrative public-sector building and maintenance contracts and funnelled to the city's main political parties by apparatchiks and city councillors originated in Milan. But the trail has already led to Lugano, the capital of the Swiss canton of Ticino, which has for decades played the role of off-shore banking centre for rich Italians. Milanese magistrates believe they have stumbled upon a network of bribes and corruption which has seen at least L150bn (£68m) changing hands over recent years.



While much of the money has gone into party coffers in a largely institutionalised form of percentage takes on big contracts, part has been destined for personal enrichment.

Earlier this month, Milanese magistrates sent their colleagues across the border a list of names of individuals suspected of involvement in the affair. The Swiss were asked to ascertain under new laws whether those included held bank accounts in the canton; the laws have opened up a chink in Switzerland's famed banking secrecy for funds that are believed to have been "recycled".

Speaking on Italian radio earlier this week, Ms Carla Del Ponte, the Lugano magistrate working with the Italian authorities, confirmed that information had already been provided regarding Mr Chiesa.

However, the Italian requests for information have now run aground. At a closed-doors meeting earlier this week, a committee of the Ticino bankers' association advised members to take legal action to block further requests for information.

The path to Lugano has become familiar to thousands of rich Milanese over the years, who have traditionally used the town to hide money which they did not want the local tax man to see.

Non-lira bank accounts are no longer illegal for Italians, and the country's fiscal authorities have, so far, taken a back seat to the magistrates in the Milan investigation. But the scandal has clearly put the Swiss on the spot and could test the scope of the more open rules on access to bank accounts.

Many banks in Lugano, which draw a large number of clients from northern Italy, fear a substantial loss of business should they appear overly co-operative towards the latest requests for information. A lot of money could be at stake. Few believe the Milan affair is an isolated incident. Kickbacks on big public-sector contracts are widely believed to be endemic in Italy's biggest cities, with the money flowing to political parties in the north and to organised crime in the south.

But Milan has proved particularly easy to milk in recent years. Italy's second biggest city and financial capital has enjoyed a boom in infrastructural projects, which have made it a model of sorts in Italy.

Among the costliest schemes has been the third underground line, completed last year at a price of around L2,500bn. The ambitious project to build a rail-link deep under the city, which is still a long way from being realised, is now expected to cost around L4,000bn. Further projects include the expansion of the second airport at Malpensa, now forecast to cost L450bn. Meanwhile, the breathtaking renovation of the San Siro football stadium in time for the 1990 World Cup cost L180bn.

The list excludes the hundreds of smaller contracts awarded for hospital modernisation or more limited new construction projects in recent years. Many were entrusted to local building companies, some of whose bosses have now been implicated in the scandal. And even less conspicuous are the thousands of renewable service contracts for public buildings. These alone probably formed as rich a vein of funds as the big public works projects now under investigation.

Russia says Crimea was illegal gift

By Leyla Boulton in Moscow and Chrystia Freeland in Kiev

THE Russian parliament yesterday adopted a potentially explosive resolution declaring illegal the transfer of the Crimea peninsula to Ukraine in 1954.

Deputies approved by a slim majority a resolution saying the "gift" proposed by the then Soviet leader Nikita Khrushchev and rubberstamped by an obedient Communist parliament was unconstitutional and had no legal force.

The vote, coming hours after the Crimean parliament rescinded an independence declaration under pressure from Kiev, is likely to aggravate the already difficult relations between Ukraine and Russia.

It could also expose Russia to a host of territorial claims from other republics and national minorities. Armenia, Azerbaijan, Moldova, and Georgia are already unstable because of disputes over borders drawn under the Soviet era.

NEWS IN BRIEF

Doubt cast on Spain's deficit target for Emu

The Bank of Spain yesterday cast strong doubts about the government's ability to reduce the public sector fiscal deficit this year in accordance with plans to meet the target of Economic and Monetary Union (Emu), Tom Burns writes from Madrid.

A Bank report said the fiscal deficit was growing faster than the government had hitherto acknowledged and that it would be difficult to achieve any significant reduction this year. The government has committed itself to reducing the deficit, which stood at 4.4 per cent of GDP at the end of 1991, by at least 0.5 per cent a year.

EC urges Italy subsidy cuts

Italy should attack its budget deficit by cutting subsidies to industry, Sir Leon Brittan, the EC competition commissioner, suggested yesterday, Andrew Hill reports from Brussels.

Sir Leon said state subsidies were equivalent to 28 per cent of Italy's deficit. He added that he had seen the "beginnings of an improvement" in the Italian government's attitude to state aids. On Tuesday, EC finance ministers told Italy to take rapid action to bring its economy back into line with the demands of economic and monetary union (Emu).

Russia begins reshuffle

A promised government mini-reshuffle has begun in Russia with the appointment of Mr Georgy Khizha, formerly head of a St Petersburg's entrepreneurs association, as deputy prime minister responsible for industry, Leyla Boulton writes from Moscow. His appointment is designed to appease critics of the fall in Russia's industrial output.

Mr Alexander Shokhin, previously vice-premier for social policy, has been made vice-premier for foreign economic relations.

Bundesbank appointments

Two new directors are being appointed to the Bundesbank's policy-making council in a move which will help alter the balance of power away from the states to the bank's headquarters, Andrew Fisher writes from Frankfurt.

The new men, both technical experts with long careers at the German central bank, are Mr Wendelin Hartmann, head of its organisation department, and Mr Helmut Schieber, deputy president of the regional central bank of Baden-Württemberg. The appointments reflect the wishes of the Bundesbank.

Czechoslovakia makes bold leap to people's capitalism

In a couple of months two out of three citizens will be shareholders in ex-state enterprises, writes Ariane Genillard

IN THE basement of the federal statistics office in Prague, at the end of a dark corridor littered with empty cardboard boxes, a computer is busy calculating the wishes of 8.5m people.

Throughout the summer, the large Digital computer will be allocating the shares of more than 3,000 state-owned enterprises to Czechs and Slovaks who earlier this year subscribed to the mass privatisation scheme launched by the Czechoslovak government.

In the space of a couple of months, the unique scheme will turn two out of three citizens into shareholders and make more than half the country's state-owned enterprises private.

The rule of the game is speed: the aim is to privatise fast, using book value to set the price of an enterprise's equity and to create a mass of shareholders who, ideally, will then exercise control over the enterprises.

If it works, policy-makers say, the model privatisation handbook for former communist countries will be able to be written, based on the Czechoslovak experience. But a number of problems could arise as the scheme unfolds.

Since last autumn, government officials in Czechoslovakia have been turning grey trying to unravel a myriad of privatisation projects. In the Czech republic alone, 10,000 projects for 2,500 enterprises have been prepared at government request by managers, deputy directors, employees or outside investors.

The average enterprise is expected to offer about 60 per cent of its equity to the voucher programme. But enterprises may offer up to 97 per cent with a minimum of 3 per cent of their equity set aside for the restitution fund. This fund compensates former owners who were illegally expropriated by the communist regime.

There are also various forms of partial privatisation, including direct sales to a local or foreign investors, public auctions or sale to other parties such as employees, management or municipalities.

A total of 292.6bn korunas ($9.7bn) in equity will be distributed in the form of vouchers. Of this amount, 185.3bn korunas belongs to enterprises in the Czech republic and 93.5bn to Slovak enterprises with the remaining 13.8bn representing equity in properties owned by the federal authorities.

This equity will be distributed to 8.5m citizens who subscribed to the scheme by buying a book of vouchers for 1,000 korunas, the equivalent of a week's salary for the average employee. In nominal terms, every voucher book should be worth 30,000 korunas in equity, calculated on a book value basis. Actual values however could differ significantly once market prices are established.

Last Monday, voucher holders begun choosing the shares they want to receive. A first allocation of shares is planned early next month in instances where the demand for shares matches the offer of vouchers. Enterprises for which the demand surpasses the supply of vouchers by more than 25 per cent, however, will be re-offered for higher bids. A total of five bidding rounds is planned and the whole process could take until the autumn.

Confused by the choice of enterprises and often lacking basic information, two-thirds of investors have entrusted their vouchers to private investment funds who which will select enterprises for them.

More than 400 funds have been created in recent months to benefit from the privatisation programme but the bulk of vouchers are concentrated in the 10 biggest. The most popular funds belong to the Czech or Slovak banks, but other funds set up by private entrepreneurs have successfully wooed a large number of voucher holders by offering a guaranteed ten-fold cash return in a year's time.

Such promises have raised eyebrows in government circles, however, and could provoke a liquidity crisis if the newly-privatised shares have to be sold to raise the cash to honour such promises and meet operational costs.

In an economy where quality assets are rare, the pressure to sell could endanger the nascent stock market. It could also allow foreign investors to buy equity cheaply – a possibility that could meet political resistance at a later stage.

A functioning, liquid secondary market will be needed to allow shareholders to concentrate their stakes and build up controlling stakes in enterprises. This stage will be crucial to facilitate the much-needed restructuring of Czechoslovak enterprises.

The speed of the privatisation process has met domestic resistance, with critics claiming that the government should have allowed more time for restructuring.

But Mr Vaclav Klaus, the federal finance minister who is the political godfather of the Czechoslovak privatisation programme, recently summed up the argument for speed. Any strategy, he said, was better than leaving enterprises in the current paralysing grip of "pre-privatisation agonies" where they were accumulating debts with other enterprises and selling vital assets just to pay wage bills as the enterprises crumble around them.

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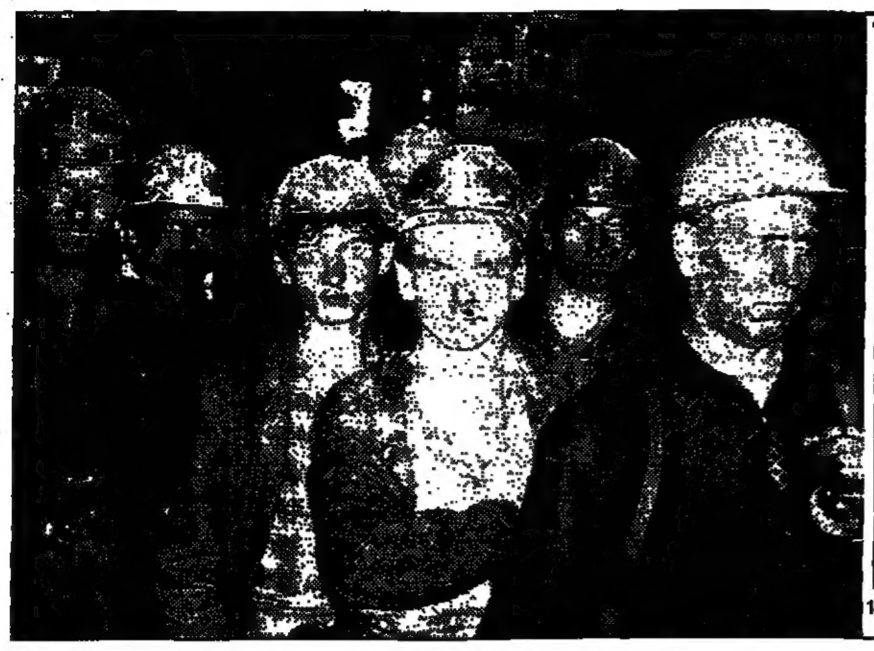
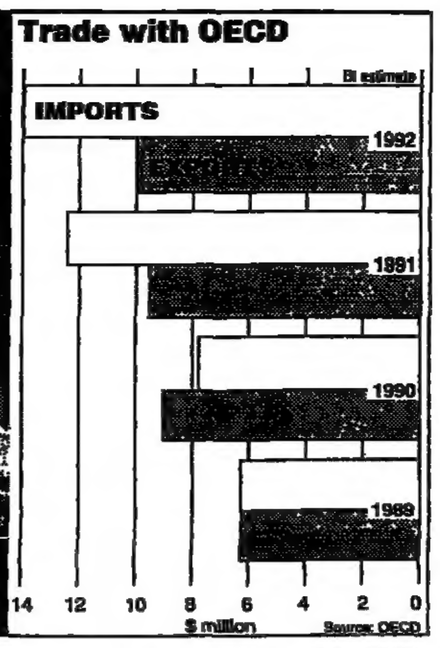
NEWS: WORLD TRADE

Convertible zloty gives Poland's exports zip

Sharp rise in trade is most tangible sign of reform, write **Christopher Bobinski** and **Anthony Robinson**





POLAND HAS reacted with alacrity to the restoration of internal zloty convertibility and the throwing open of foreign trade to private entrepreneurs. A sharp increase in foreign trade has been one of the most tangible signs of economic change throughout the first 30 months of the country's reform programme.

Imports as a percentage of *gross domestic product, for* example, have risen from 13.6 per cent in 1989 to 22.8 per cent last year while exports almost doubled from 9.2 per cent of GDP in the last year of the old regime to 15.3 per cent.

The government is now banking on a further increase in exports this year to help break the back of a domestic recession which has seen industrial production in the state sector drop by more than 40 per cent.

The fragile coalition government which emerged after elections last October signalled its intention to make exports more competitive by dropping the former policy of maintaining an overvalued zloty as an "anchor" against inflation and a means of opening monopolistic domestic producers to the chill winds of competition.

The shift began with a 17 per cent devaluation last May coupled with the introduction of a crawling peg system which allowed the currency to devalue by 1.8 per cent a month in the autumn. This was followed by a 12 per cent devaluation in February this year. As a result exports rose 5.7 per cent to $4.3bn between January and April while imports dropped 15 per cent to 3.7bn in the same period. This has turned a $269m trade deficit over the first four months of 1991 into a surplus of $612m this year, over four times the $153m surplus registered over 1991 as a whole.

The speedy response to market signals is largely a reflection of the pace with which private entrepreneurs moved into an arena which used to be the preserve of lumbering state-controlled foreign trade companies.

Private traders handled more than half last year's imports and 20 per cent of exports. At the same time trade shifted radically away from the former Soviet trading bloc Comecon area. Three years ago over a third of Polish trade was with the Comecon countries. Last year this had shrunk to a mere 17 per cent while the share of trade with European Community markets has soared from from 32 to 55 per cent.

In a few cases however the shift to dollar payments for trade formerly conducted in the now defunct "transferable" rouble has in fact increased trade. While neighbouring Czechoslovakia paid roubles for coal it stayed at the back of the queue despite the fact that the Polish mines were only a few kilometres away from the consuming Czech power stations and steel plants.

Now the Czechs pay in dollars, however, sales from Poland's Silesian coal mines have risen from 1.4m tonnes in 1989 to 830,000 tonnes already in the first four months this year.

Meanwhile Poland's ever-closer trading links with the European Community have caused a fog of confusion to descend on the details of the country's trade. To blame is the Single Administrative Document introduced by Polish customs in January and modelled on documents in use throughout the EC and the European Free Trade Association. Form-filling errors on a massive scale have led the statistical office to withhold foreign trade data until all the returns can be checked.

The statistics are expected to reveal however that imports of consumer goods from the EC have dropped sharply this year. The lower zloty has increased the incentive for Polish entrepreneurs to produce such items domestically on sophisticated imported machines. The weaker zloty has also increased the competitiveness of exports such as steel products, already up 43 per cent last year. The risk here is that further Polish export penetration could trigger safeguard clauses and reverse the free-trade promises held out by last year's association agreement between the EC and the three central European countries-Poland, Czechoslovakia and Hungary.

The survival of Poland's steel industry is becoming more and more dependent on exports which accounted for a quarter of the 9.8m tonnes of rolled steel produced in 1990 rising to 38 per cent of last year's lower output of 8.1m tonnes.

Textiles and above all agricultural products are the other sensitive area with the EC but the present association agreement, with its commitment to a dismantling of barriers to trade in industrial goods by the end of the century, leaves most of the farming questions to further talks next year.

But, according to Mr Witold Pereta, the head of Animex, a privatised meat and animal trader, Brussels need not worry as Poland's ailing agriculture may not even be able to supply the permitted quotas.

"In 1993 Poland will be permitted to sell 7,200 tonnes of mutton into the EC. But with the drop in our sheep population I think we'll have problems in finding that amount," he says.

Production costs at home are also so high that Animex is no longer exporting its Krakus brand ham to the US but is producing it under licence near Philadelphia in a company a quarter owned by the Polish group.

Meanwhile, signature of the EC association agreement has made Prague, Warsaw and Budapest realise that trade barriers among themselves could soon be higher than with the Community. Accordingly talks are in train to liberalise trade within the triangle and bring it in line with the EC agreement.

Such developments however are making the Americans uneasy at the prospect of facing new barriers in central Europe. The US has already protested against tariffs introduced last year to dampen rising imports and protect foreign currency reserves. American exporters argue that they are being discriminated against in favour of the EC.

But Germany, Poland's main supplier and market, is only a few hours truck ride away for Polish traders and Poland's economic integration with the EC is expected to deepen by the year. This is in spite of the enormous political importance attached to attracting investment from and trade with the US and a long-term belief that Poland will also be well-placed to benefit from the eventual economic regeneration of the former Soviet Union.

Slovenia looks to Community for new markets

By Judy Dempsey

THE war in the former republics of Yugoslavia is forcing Slovene enterprises to find alternative trading partners among European Community countries as a means of compensating for lost markets in the region.

However, Slovene officials warn that capital inflows will not increase unless Slovenia re-establishes trade links with its southern neighbours.

Until 1990, over 30 per cent of Slovenia's exports were with the former Yugoslavia, while about 70 per cent were divided between Comecon, the now defunct socialist trading block, and western European countries. But following an embargo by Serbia on Slovene imports in 1990, and ensuing war in neighbouring Croatia last year, Slovene exports to the former Yugoslavia have fallen to 15 per cent of that previously.

The loss of markets in the former Yugoslavia, and the war, has led to a sharp drop in industrial production, which last year fell by 15 per cent, and will fall a further 12 per cent this year.

Unemployment has risen to 101,000, up from 9 per cent to 11 per cent of the labour force. However, inflation is falling thanks to a strong monetary policy implemented by Slovenia's central bank. Inflation was running at 25 per cent a month last October, but by April it had fallen to 5 per cent.

Mr Feri Horvath, head of Slovenia's Chamber of Commerce, said Slovenia, which declared its independence last June, must seek new markets because the republic is too small to be able to attract large amounts of foreign investment to foster growth.

Renault, French car manufacturer, which assembles cars in Slovenia, and Siemens, German-based mechanical and electrical goods maker, which has a joint venture with Iskra, Slovenia's electronic and telecommunications manufacturer, have used Slovenia as a base for exporting to other parts of Yugoslavia, as well as to western Europe.

"We have recently signed bilateral trade agreements with Croatia and Macedonia," said Mr Horvath. "We want to normalise relations with the other republics," he added.

In the meantime, Slovene enterprises, particularly those in the furniture, electronics, paper, and white goods sector, are exporting to European Community countries.

Exports for the first quarter amounted to $941m (£513m), and imports totalled $752m. Last year, total exports of goods reached $3.9bn, and imports, $4.1bn.

"Our enterprises are beginning to find new markets," said Mr Horvath, adding that Germany, Italy, France and Austria are now Slovenia's main trading partners.

Mrs Vojka Ravbar, Slovenia's deputy foreign minister, who earlier this week headed a trade delegation to the UK, said enterprises will have to become even more competitive after privatisation. Parliament is now discussing a privatisation bill.

UK group urges easier access for foreign companies in Japan

By Robert Thomson in Tokyo

A GROUP of visiting British executives yesterday called on the Japanese government to ensure that foreign companies have the same access in the country as Japanese companies *have in the UK* market.

The six-company group, headed by the Duke of Kent and Mr Michael Perry, the chairman of Unilever, and including executives from Glaxo Holdings and S.G. Warburg & Co, presented a list of proposals to Japanese industry representatives and the Ministry of International Trade and Industry (Miti).

In an "Agenda for Action by Japanese Business", the executives expressed their confidence that British companies will expand Japanese market share "unless that market is distorted for political reasons *or because of excessive bias* towards Japanese domestic suppliers".

However, Mr Perry said the delegation, in Tokyo as part of the Priority Japan campaign, does not regard Japan as a "problem" but as an "opportunity" and that British industry does not "want to argue about the *rules of the game*".

UK exports to Japan had grown from £1.49bn to £2.63bn from 1987 to 1990, but the slowing of the Japanese economy and a resultant fall in demand for luxury goods and industrial machinery led to a decline to £2.26bn last year.

For 1991, Japan's exports to the UK were £6.75bn, down from £6.76bn.

The text of the Agenda for Action reflected UK concerns that Japanese equipment purchases, including aero-engines, satellites and semiconductor technology, could be influenced by the political pressure *applied by Washington.*

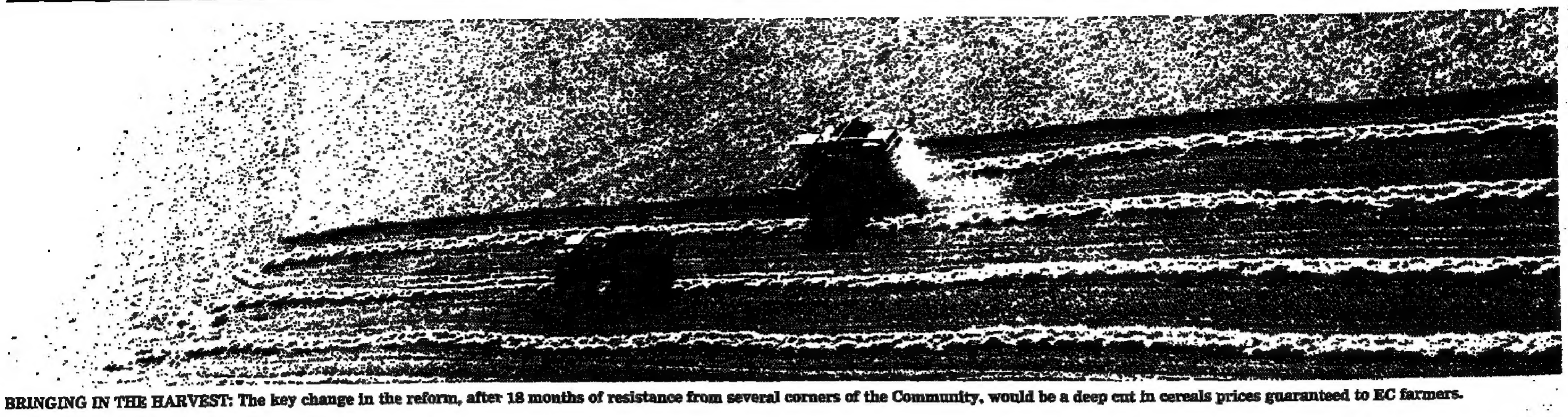
Babcock in £56m Greek power deal

GREECE'S Public Power Corporation (PPC) has awarded a Dr19.6bn (£56m) contract to Babcock Energy Systems, the British engineering company, to upgrade a power station at Lavrion, *near Athens, writes Kerin Hope in Athens.*

The PPC intends to help reduce atmospheric pollution in Athens by developing generating capacity outside the city and converting diesel-fired units to natural gas during the 1990s. Babcock was the lowest bidder, ahead of Ansaldo of Italy and Asea Brown Boveri, the PPC said.

The project involves transferring a steam turbine from the Keratsini power station in Athens to Lavrion, 40 miles from the capital. The turbine will be linked to two existing gas turbines to form a combined cycle unit, raising the plant's capacity from 114 to 180 MW. The project is due for completion in 1994.

The Keratsini unit, formerly Athens' main power station, is closed for much of the year because of pollutants from its diesel-fired generators.The PPC plans to convert Keratsini to use Russian natural gas in the mid-1990s.



BRINGING IN THE HARVEST: The key change in the reform, after 18 months of resistance from several corners of the Community, would be a deep cut in cereals prices guaranteed to EC farmers.

One thorny problem may have been removed in the world trade talks, but plenty more are waiting to take its place

Europe aims to sweep path to Uruguay Round

By David Dodwell, World Trade Editor, in London, and Frances Williams in Geneva

MRS CARLA HILLS, US trade representative, was in no doubt two weeks ago about the state of the Uruguay Round of talks on world trade liberalisation. "The problem is agriculture: that is the problem that has to be swept away – and the Europeans have the broom. We have to wait until they have a consensus as to how they are going to treat with it."

Today it seems the EC has delivered at least the consensus she needs. Whether the package of CAP reforms provides an adequate broom for the agriculture problem to be swept away has yet to be made clear. Much will depend on meetings in Washington next week between US and EC negotiators.

Even if the point has indeed been reached where the agriculture problem can be swept away, a new and unhappy reality may then be brought back into focus: the dispute between the US and the EC is but one of the obstacles blocking a Uruguay Round agreement. If this were now to be cleared away, problems over market access agreements, and trade in services could yet bring the agreement to grief.

Disagreement over farm trade reforms have blocked progress towards a successful conclusion of the Uruguay Round since the Brussels summit at the end of 1990. Crisis was triggered there not by the US, but by Argentina, which led a walk-out of farm exporters from the developing world in protest at EC farm trade policies. They were angered not just because Europe remains largely closed to their exports, but because the EC practice of dumping subsidised farm products on to world markets had ruined food prices, undermining their main source of export earnings.

For the past 18 months, all attempts to seal a Uruguay Round agreement have foundered on EC resistance to farm reform. Hopes that had been revived in December by publication of a draft agreement were quickly dashed in January by EC rejection of its proposals for liberalisation of farm trade. Most

An EC position will at last be clear in talks with Washington next week. The disadvantage is that the EC now has very little negotiating flexibility.

intractable were demands for a 20 per cent cut in domestic farm price supports; for a 24 per cent cut in the volume of subsidised exports, and a 36 per cent cut in their value; and for compensation payments to farmers to be made in a form that did not encourage higher production.

In addition, the EC was demanding that the US cut its sales to Europe of cheap grain substitutes, and that it agree a "peace clause" preventing US companies from using US courts to enforce demands linked with any part of the farm trade agreement.

As far as farm price supports are concerned, Mr Ray MacSharry's proposals appear to provide an important breakthrough: at 29 per cent, the cuts will be deeper, and will be made earlier, than the draft Uruguay Round agreement had demanded. Whether this augurs well for the unresolved issue of export subsidies is unclear. It is nevertheless worth recalling that a senior US trade negotiator said just two weeks ago: "Whether it is export subsidies or rebalancing or internal supports, it comes down to the price of grain."

In Geneva yesterday, where Uruguay Round negotiators have faced mounting frustration in recent months over the lack of headway, the proposed CAP reforms received a cautious welcome. Officials from the Cairns Group of 14 agricultural exporting countries said they were cautiously optimistic that the deal would inject "fresh spirit" into the talks. But they needed to see how the projected reform would translate into changes in the EC's bargaining position over farm trade, and how it would affect products other than cereals, such as dairy and sugar.

Cairns officials said the broad thrust of the reform appeared to be on the right lines. As long as the rest of the package broadly followed the agreement on cereals, it provided an assurance that the EC would make sizeable cuts in farm subsidies, including export subsidies, and curb over-production.

Officials added that yesterday's agreement meant that, for the first time, the EC would be speaking with one voice on farm trade reform.

Set against the advantage for US negotiators that an EC position will at last be clear when they meet in Washington next week is the disadvantage that the EC now has very little negotiating flexibility. Having sweated blood to wring this package of compromises out of EC member states, Mr MacSharry has little scope to win further compromises. If the package falls short of US and Cairns group demands, then further concessions will almost certainly have to come from them rather than the EC.

A Uruguay Round farm trade breakthrough would immediately put Japan, Korea and Canada into the hot seat. All three are under fierce pressure to open their markets to farm products. All have been "hiding" behind the US-EC conflict in recent months.

For the Japanese government, concessions will be impossible until upper house elections late in July. For Korea, embarrassment is even more acute. The government faces elections at the end of this year, and could suffer gravely in important farm communities if it opens its market to rice imports before then. Canada's prime minister, Mr Brian Mulroney, has the unhappy position of being the least popular democratically elected leader in the world. He has just 15 per cent endorsement from voters in recent polls. With elections in 1993, concessions on opening up Canada's dairy market may cost him still more votes.

"It is unquestionably a time of reckoning," said one EC observer.

Outlook for grain becomes a little clearer

By Nancy Dunne in Washington and Barbara Durr in Chicago

WORLD grain prices may rise in the wake of CAP reform and reduced production, US analysts said yesterday, although the markets were little moved and there was uncertainty about the short term impact.

The immediate response to the agreement was "mass confusion, maybe long-term hope and maybe long-term heartburn", said Mr Paul Drazek, a spokesman for the American Farm Bureau.

He thought CAP reform "could be the most significant development in the grain trade in the last 30 years," but he cautioned that its importance "would depend on how much less production and dumping there was likely to be.

There is already so much uncertainty in the grain markets because of the changes in eastern Europe that the impact of CAP reform – stretched out over years if not decades – is likely to be less important than a drought in Mongolia or snow in Brazil.

"It's certainly encouraging," said Mr Martyn Foreman, an analyst with Agrivisor, a market advisory service of the Illinois Farm Bureau. "It would put some underpinning in world prices."

Grain market experts also expressed some scepticism about how a CAP subsidies cut of 29 per cent, instead of the 35 per cent proposed by the European Commission, would be received by Washington in this electoral year.

However, the US government has indicated that it would accept some adjustments to the EC proposal, to enable Europe to continue some of its subsidies for six more years.

In any case, US production is not expected to fall because of parallel cutting of US price subsidies. Washington has been reducing its price supports since 1985.

According to Mr Daniel Basse, director of market research at AgResource in Chicago, the CAP agreement would not be felt until next year's crops and that it was too early to say what might happen to world production and demand.

Events in the former Soviet Union and China, key participators in the market, are having more effect on day-to-day prices. China is the world's biggest wheat importer and producer: it is expected to buy 16m tonnes in 1990-91 and to produce 94m tonnes. The US will produce about 62m tonnes, but its stocks are so low that it will export less than the European Community.

The former Soviet Union is expected to produce a much improved wheat crop this year: 85m tonnes, against 73m last year.

In the short term, higher prices brought about by reduced EC production are likely to create hardship in some developing countries because of higher food prices. But this could encourage increased domestic production, said Mr Peter Weber, a researcher at the Worldwatch Institute, a Washington Think-tank. In the EC, there would be less incentive to overuse agriculture chemicals, he said, especially fertilisers and pesticides.

Grain producing countries such as Canada, Australia and Argentina which have not engaged in the grain subsidies war could see their exports rise if EC and US subsidies are reduced.

Mr John Sault, the agricultural counsellor of the Australian embassy in Washington, said that Australia had been caught the crossfire between the EC and the US export subsidies and pushed out of traditional markets such as the former Soviet Union and China.

Britain welcomes levelling of the field

By David Blackwell

BRITISH FARMERS yesterday welcomed the end of the uncertainty surrounding their businesses.

Their main complaint about the original plans to reform the CAP was that they discriminated against the UK, which has much larger and more efficient farms than the rest of Europe.

Much of the original discrimination against British agriculture appears to have been cleared away. In particular, farmers with large acreages will be relieved at the demise of a proposal to limit the amount of set-aside land on which compensation is paid. This was the biggest stumbling block for the UK during the negotiations.

"It would appear that John Gummer has achieved quite a remarkable victory on behalf of all UK arable farmers," the managing director of one large company said yesterday, delighted that Britain had not been left at a disadvantage to smaller European competitors.

Under the reform proposals 15 per cent of the arable land will be put into set-aside. Farmers will then qualify for compensation for the 29 per cent cut in EC cereal prices. This would imply a compensation figure of about £200 per hectare. The Ministry of Agriculture said that £230 a hectare had originally been proposed for a 35 per cent cut in cereal prices, and a later proposal to cut prices by only 27 per cent would have given £175 a hectare compensation.

Britain has gained further concessions within the reform package, particularly for sheep farmers in the so-called "less favoured areas", or uplands, where the original proposals limited the number of ewes eligible for subsidy to 750.

UK farm incomes, however, will continue to fall from already low levels.

Booker Farming, which farms and advises on 45,000 acres in England, predicted earlier this year that the income of a top quality 500-acre farm in the UK would fall from £20,000 to only £3,500 under the original MacSharry proposals. While the impact of the latest package will not be so severe, it could still cut the farm income in half.

Mr David Naish, president of the National Farmers Union, agreed yesterday that many farms were already under severe financial pressure, but he was prepared to accept lower prices if the UK was on an equal footing with the rest of Europe. As long as the reform package treated all farmers the same, "we have got to learn to live with it," he said.

French rural workforce holds the key

By William Dawkins in Paris

FRANCE, by far the largest farm power in the European Community, holds the key to the reform of the CAP.

The process will not be easy for its diminishing, but vocal, farm population. As elsewhere in Europe, the economic importance of agriculture has weakened in France over the past decade, yet the country remains the EC's largest producer of maize (about half the total), wheat, beef and fine wine. It grows twice as much cereal as it eats and has more farmland than Spain.

The political influence of traditionally right-wing farmers' unions has also declined. Yet the farmers' organisations, led by the Fédération Nationale des Syndicats d'Exploitants Agricoles (FNSEA), still have the capacity to wreak mayhem.

Only last autumn, 150,000 farmers descended on Paris to protest against CAP reforms, in response to which the government promptly dished out FFr1.27bn (£120m) in emergency support.

However, Mr Louis Mermaz, agriculture minister, and French farming unions have always seen eye to eye on one point: that incomes must be at least mainly linked to prices, rather than derive from social handouts. In reality, social subsidies are gaining fast. Some kinds of farming, notably beef and sheep, have already become so poor that various EC subsidies represent more than half of farmers' income.

In that respect, the deal taking shape in Brussels can be presented to French farmers as a reasonable compromise.

France, formerly one of the staunchest defenders of EC agriculture policy, signalled its willingness to compromise on reform last October, just a week after Germany, another former CAP conservative, gave its support for the European Commission's plans.

This turning point in French agriculture policy reflected a growing realisation by farming leaders that some kind of social help was needed to enable an ageing farming population with few successors to retire peacefully. Every year, 30,000 farms close and only 10,000 new farmers start business, according to the FNSEA.

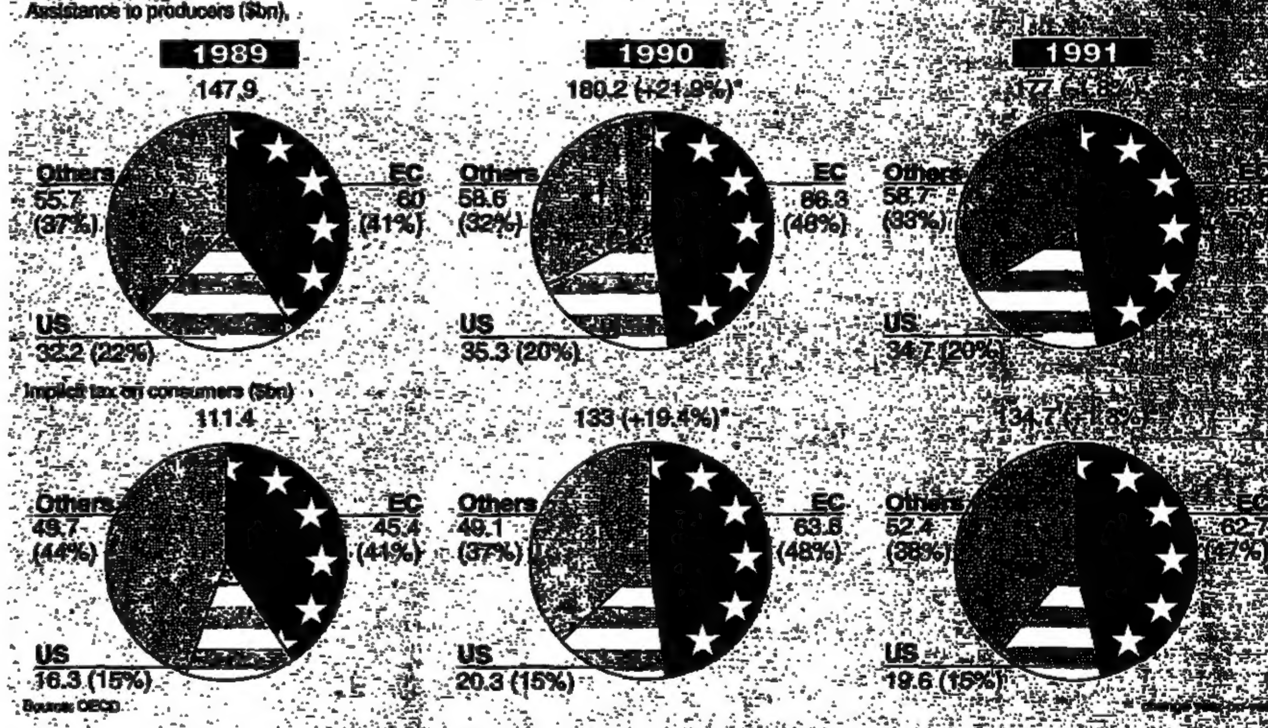
The decline of France's rural workforce is sadly evident to any visitor to near-deserted villages in the rural centre and south. Over the past 20 years, farmers have fallen from just over 13 per cent of France's total workforce to 6 per cent. This did nothing to help the surplus, since productivity rose by an average of 1 per cent per year over the same period, and volumes of some cereal crops even rose. The surplus was shipped partly to EC neighbours, and also to the third world and the Soviet Union.

As more farmers have gone out of business, more farms have merged, so that the average size of a holding rose from 19 hectares in 1970 to 28 hectares by 1988, making France the EC's fourth most intensive farming country. On the surface, this makes it a prime candidate for the EC proposals that all but the smallest farmers should take 15 per cent of their land out of production.

However, the biggest farms are concentrated on the fertile basin plains north of the river Loire. The deal appears to offer less help for the smaller farmers, producing wine, fruit and vegetables, in the poorer rural depths of southern France.

Farm markets and trade

The cost of agricultural support in the OECD



WORLD WHEAT PRODUCTION (million tonnes)

	1986	1987	1988	1989	1990*	1991†
EC	72.1	71.5	74.6	79.2	80.4	84.8
US	56.9	57.4	49.3	55.4	74.5	53.9
World	537.6	514.6	506.1	545.8	596.9	543.4

*Estimated † Forecast

WORLD WHEAT TRADE (million tonnes)

	86/87	87/88	88/89	89/90	90/91	91/92†
EC	15.3	14.7	20.0	19.7	18.3	21.2
US	28.2	43.2	37.8	33.5	28.3	34.0
World	90.3	105.7	96.4	96.7	91.7	103.6

† Forecast

WORLD WHEAT STOCKS: Estimated total carryover (million tonnes)

	1986	1987	1988	1989	1990	1991
Main exporters	84.9	83.6	60.3	39.7	38.7	53.5
Others	75.2	83.3	82.3	75.2	81.3	87.9
World	160.0	167.2	142.6	114.9	120.0	141.4

Source: FAO

OECD BEEF PRODUCTION (thousand tonnes)

	1987	1988	1989	1990	1991
EC	8,020	7,617	7,360	7,539	7,646
US	10,805	10,860	10,636	10,464	10,557
OECD	23,534	23,372	22,335	22,466	22,713

OECD BEEF CONSUMPTION (thousand tonnes)

	1987	1988	1989	1990	1991
EC	7,500	7,620	7,400	7,000	7,200
US	11,628	11,613	11,196	11,049	[illegible]
OECD	22,861	23,091	22,010	21,509	[illegible]

OECD BEEF SURPLUS (thousand tonnes)

	1987	1988	1989	1990	1991
EC	520	-3	-40	539	446
US	-823	-753	-560	-584	-541
OECD	674	281	325	958	920

Source: OECD

Minister stands his ground against German farm lobby

By Quentin Peel in Bonn

GERMANY'S battle-hardened agriculture minister, Mr Ignaz Kiechle, must have known he was on a hiding to nothing.

On Tuesday, the German farmers' union demanded that he fight the proposed reforms "with all his might, and even use his veto if necessary". So it was hardly a surprise that Baron Constantin von Heereman, president of the German farmers' organisation, the Deutscher Bauernverband (DBV) for the past 23 years, denounced the package yesterday as "intolerable".

"We are in favour of reform, but not the one which Kiechle is accepting," he declared. "They get a 5 per cent plus wage rise in the public sector, and we get 35 per cent minus for the cereal farmers: it is unacceptable." That comes on top of a drop in farm incomes in 1990-91 of 16 per cent, and little better than stagnation in the current year, according to official figures. The DBV predicts another real loss of some 21 per cent in 1991-92.

For once, however, Mr Kiechle seemed to be standing his ground against his own farming lobby, strongest above all in his native Bavaria. He described the DBV and its members as "day-dreamers who have no idea of agricultural political necessities".

Mr Kiechle fought his corner in Brussels with his usual tenacity, but the key change in Germany's position was that he did not appear willing to use his veto. Two factors seem to be behind that relaxation in Germany's staunch defence of the CAP: a desire to reach a deal in the Gatt round, above all before the Group of Seven world economic summit in Munich in July, to be chaired by Chancellor Helmut Kohl; and the advent of huge east German farms to German agriculture, requiring a whole new set of policy priorities.

German agriculture is no longer so dominated by small farmers – above all by part-time farmers. A whole new category of huge factory farms on the eastern model have now to be taken into consideration. Most are effectively bankrupt now, but they have to be given the incentive to recover.

Mr Kiechle wanted a cereal price cut of 15-20 per cent maximum. In that, he was seeking to defend western Germany's relatively small and high-cost farmers, fearful that if the EC support price were dropped too far, they would be unable to compete with French cereal farmers, themselves driven out of the export market.

He has been forced to accept a 29 per cent cut, although he will be allowed to pay substantial compensation to his farmers. Germany was happy to go along with Britain in calling for the compensation to be paid to big farms as well as small – thanks to the existence of the eastern farms.

The compensation comes in two ways: Mr Kiechle has won the right to keep paying income support measures this year to replace the 3 per cent VAT rebate which expired last year. That is a German national measure – a clear distortion of the agricultural common market, and therefore an important concession.

The second form of compensation is that payable to all EC farmers in exchange for a 15 per cent reduction in their arable land. Mr Kiechle was determined that the payments should be allowed for an indefinite period. But even then, his farmers are suspicious.

"The farmers are naturally sceptical about whether the compensation will be lasting," an Agriculture Ministry official said yesterday. "Lasting could mean five years, or it could mean 10 years." Or as one diplomatic observer of German agriculture put it: "The farmers know they are being paid to do nothing. That is a very vulnerable position to be in."

The EC reforms bring German agriculture face to face with some unpleasant realities.

"They have to restructure their agriculture and lower their overheads," an independent analyst said. "That means they are going to have to go further down the road towards the industrialisation of agriculture – which is anathema to Mr Kiechle."

The irony is that perhaps Mr Kiechle will not be around to implement it. He is widely expected to be a casualty of the next cabinet reshuffle in the autumn, finally abandoned by his friend and admirer, Chancellor Kohl, in the interests, no doubt of "agricultural, political necessities".

White House rejects charge of Iraq cover-up

By Alan Friedman in Washington

SENIOR members of the Bush administration yesterday angrily rejected US Congressional charges that the White House was trying to cover up improprieties related to more than $4bn of loans to Iraq by the Banca Nazionale del Lavoro, of Italy.

In testimony before the House of Representatives banking committee, Mr Lawrence Eagleburger, deputy secretary of state, attacked the committee's release of classified documents.

Eagleburger: On attack

He claimed that this had led to "distortions of the record, half-truths, and outright falsehoods, all combined into spurious conspiracy theories and charges of a cover-up."

He was referring to a series of Bush administration documents made public by Mr Henry Gonzalez, committee chairman, who has argued that the documents show a pattern of administration financial assistance to Iraq and possible knowledge of the secret BNL loans, made from the bank's branch at Atlanta, Georgia.

Mr Gonzalez criticised President George Bush for failure to provide Congress with a series of BNL-related documents.

He also complained bitterly that the White House had refused, only a few hours before the hearing yesterday, to allow the testimony of Mr Richard Haass of the National Security Council and Mr Stephen Danzansky, the president's former director of cabinet affairs.

"The committee will not be steamrolled by the White House, and, if necessary, I will seek subpoena authority in order to obtain the information and persons that I am seeking," Mr Gonzalez said.

In reply, Mr Eagleburger said the administration would not permit the further release of documents without fresh assurances that they would be kept confidential by Congress.

The BNL hearing was a politically partisan event, with Mr Charles Schumer, a New York Democrat, charging that aspects of the BNL affair may have involved "criminal activity by US government officials."

Mr Eagleburger and Mr John Robson, deputy treasury secretary, testified that there had been insufficient evidence of any Iraqi wrongdoing in the BNL affair in November 1989 for a senior White House meeting to block the extension of $1bn of separate, government-guaranteed loans to Baghdad.

Mr Edward Kelley, a member of the Federal Reserve's board of governors, made clear that the Fed had firmly opposed, at the White House meeting, further US export credit loan guarantees for Iraq because of concern about the BNL case and Iraq's credit-worthiness.

Haitian boat refugee exodus increases

THE US Coast Guard has stated that it intercepted 1,635 Haitian boat-people on Tuesday – a record number of such refugees picked up by the service in any one day on the high seas, AP reports from San Juan, Puerto Rico.

In the picture above, a Haitian girl and compatriots wait aboard a Coast Guard ship at the US naval base of Guantánamo, in south-eastern Cuba, to be processed by the authorities.

The base now holds some 12,000 Haitian refugees and there are fears that it will be able to admit no more.

People are fleeing Haiti at unprecedented rates. A record 10,104 refugees were intercepted by the service in May.

The Coast Guard has intercepted 33,690 Haitian asylum-seekers bound for the US since September 30 last year, when the Haitian army overthrew the elected President Jean-Bertrand Aristide.

In the Haitian capital of Port-au-Prince, meanwhile, the government late on Wednesday condemned the Organisation of American States for having adopted tougher economic sanctions, which the army-backed administration claimed would starve Haitians.

UN insolvency 'near unless members pay up'

By Michael Littlejohns, UN Correspondent, in New York

THE UNITED Nations will run out of cash by the end of this month unless member states substantially reduce their debts, Mr Boutros Boutros Ghali, UN secretary-general, warned last night. At $1.093bn, these exceed the entire regular budget for 1992.

The arrears level, including peace-keeping expenses, has virtually doubled in the past six months, to $1.898bn, he said.

In this period, the UN has mounted the peace-keeping operation in Yugoslavia, estimated to cost more than $600m, and its biggest-ever operation, in Cambodia, where the bill may exceed $2bn.

Also, the UN General Assembly will meet today to consider the adoption of an additional assessment for peace-keeping in Colombia and El Salvador, estimated at $637m.

Reflecting a trend of growing reliance on the UN since east-west divisions were largely healed, no fewer than 13 peace-keeping operations had been launched since 1989, equalling the total for the previous 45 years.

The main cash contributors are in recession and none of the operations has been adequately funded. The UN has had repeatedly to rob Peter to pay Paul by borrowing among different accounts. Only 14 out of 175 member countries are fully paid up.

The US now owes $555m for the regular budget and $306m for peace-keeping. Russia's arrears total $341m in the two categories and are unlikely to be reduced soon, given Moscow's financial problems.

Mr Boutros Ghali is under pressure from Washington to cut costs to the bone and reduce staff.

Morale in the UN secretariat is at an all-time low even as the organisation's prestige has soared.

Adding to the staff's fears, McKinsey, the management consultancy, has quietly begun a study of UN administrative practices. This seems to be at the behest of Mr Dick Thornburgh, US former attorney-general and now in charge of administration and management in the secretariat.

French missile bid stirs row

George Graham on US anger at Thomson-CSF's move to buy missiles division of US defence contractor

THOMSON-CSF, the French state-controlled defence electronics group, has provoked a storm in Washington over its efforts to buy the missiles division of LTV, the US steel and industrial group operating under bankruptcy protection.

The Committee on Foreign Investment in the US (CFIUS), a review body chaired by the Treasury, this week decided to launch a full investigation of the deal under the Exon-Florio rules, introduced in 1988 to give the president the power to block or reverse any foreign acquisition that "threatens to impair the national security".

But, even before the formal CFIUS review has begun, Thomson-CSF has come under fire from Congress. The French group's representatives have been grilled by a series of hostile Congressional investigative committees. Two of the Senate's most senior members, Senator Robert Byrd of West Virginia and Senator Lloyd Bentsen of Texas, have sponsored a bill to ban the deal.

The Bush administration's decision on LTV's missile business – which is involved in top-secret US military programmes, such as the Losat anti-tank missile and the MLRS anti-artillery missile system – could foreshadow US policy on an expected wave of foreign acquisitions in sensitive technology areas.

As military purchasing budgets shrink, the US defence industry is restructuring. Some industry executives estimate that 100 subsidiaries, divisions or units of defence contractors are up for sale. Many of these are likely to interest foreign buyers.

"The LTV case offers the president an opportunity to demonstrate that, in fact, he has a strategy for America's defence industrial base in the post-Cold War era," said Senator James Exon, co-author of the Exon-Florio rules.

LTV at first agreed in February to sell its missile and aircraft business as a whole for $355m to a consortium formed by Lockheed and Martin Marietta, two leading US defence contractors.

In April, Thomson-CSF bid $280m for the missiles division, coupled with a $120m bid for the aircraft division from Carlyle Group, a Washington-based merchant bank headed by Mr Frank Carlucci, US former defence secretary.

After a round of bidding, the New York bankruptcy judge presiding over LTV awarded the two units to Thomson-CSF and Carlyle for a total of $450m.

Opposition to the Thomson-CSF-LTV deal focuses on three points of concern:

- The security of secret US military technologies.
- Thomson-CSF's state ownership, which its competitors fear could give it unfair subsidies, cheap capital and political advantages.
- Hostility to France, which has been described by senators as "aggressive", "stubborn" and "cocksure", and been accused of widespread industrial espionage against the US.

Thomson-CSF has already begun discussions with the defence department about measures to protect US secrets. These include a "special security arrangement" by which classified information would be placed under the control of a special committee of US citizens with the necessary security clearances.

Pentagon officials appear, however, to be happy with this kind of arrangement only up to the "Secret" level of classification. In past foreign acquisitions involving "Top Secret" or "Comsec" classifications, the department has insisted that control of the company be placed in the hands of a voting trust or of proxies.

"It has to become a passive ownership or it doesn't fly," said Mr Donald Atwood, deputy secretary of defence, last month.

Mr Daniel Tellep, chairman and chief executive of Lockheed, argues that even proxies or voting trusts are inadequate protection, since it is at the level of a company's engineers that technology is transferred.

Mr Carlucci retorts that Thomson-CSF engineers already have access to their US counterparts through the company's participation in US programmes, such as the US army's MSE battlefield communications system based on Thomson-CSF's Rita system.

"Thomson-CSF already bids on defence department contracts. It has at least 20 classified contracts now. The only question is whether it should bid offshore or onshore," he says.

On the issue of government ownership, Thomson-CSF has an even harder task defending itself.

"What we have here is a policy problem involving government involvement in the free enterprise system, and the two are like oil and water," said Mr Norman Augustine, chairman and chief executive of Martin Marietta.

More troubling, however, is the extent of anti-French sentiment displayed in the tussle over the LTV deal.

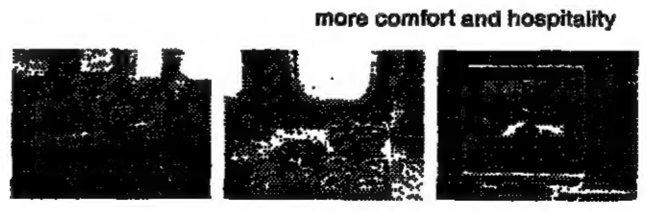
Senator Fritz Hollings of South Carolina may be the most overtly xenophobic member of the Senate, but his gibes are usually directed at the Japanese and the Koreans.

Of the French, he said: "We love each other. I've stood on tables all over France singing the Marseillaise."

But in a barbed exchange with Mr Carlucci, he placed France alongside Iraq in his pandemonium.

"I couldn't possibly see General [Norman] Schwarzkopf being employed by Saddam Hussein to train his troops. Why should we allow you to come in now, as a former secretary of defence, and take over our defence technology for France?" he demanded.

The old days of ever-expanding military budgets are over, however. Procurement budgets today may not sustain even a single domestic supplier in many areas of defence technology, let alone competing suppliers. The alternative to foreign acquisition, for many US defence companies, may be shutdown.



Stand-off in Thai power struggle

The confrontation between the people and the military is far from over, writes **Victor Mallet**

THAILAND'S political *crisis is not yet over.*

After three days of violent confrontations between the government and pro-democracy demonstrators, Bangkok was returned to its normal state of noise and congestion yesterday by the timely intervention of King Bhumipol Adulyadej.

The compromise brokered by the king late on Wednesday between Gen Suchinda Kraprayoon, the prime minister, and *Mr Chamlong Srimuang*, leader of the opposition campaign, has halted the violence and given businesses *the chance to* recover from the week's chaos.

This forced reconciliation of enemies in the presence of the monarch, however, is only an interim solution.

It is now up to the two sides to achieve the seemingly impossible task of satisfying both the political ambitions of the military establishment and *the democratic aspirations of* the Thai people. Yesterday neither side showed much willingness to yield.

As 3,000 protesters emerged from jail yesterday under an amnesty announced by Gen Suchinda – some still wearing clothes stained with the blood of dead comrades – they insisted that the prime minister would have to resign and even go into exile. On his own admission, 40 people were *killed in the disturbances*, although unofficial tallies put the death toll higher.

All over the capital, residents expressed relief that the violence had ended but said it would take a long time to heal the emotional scars left by the *sight of Thai soldiers gunning* down civilians in the city centre. "Anger" was the word most commonly expressed, and opposition parties are demanding that Gen Suchinda and his government should be held accountable for the actions of the army.

The sense of continuing con*flict was underlined by a refer*ence in one Bangkok newspaper to missing protestors as "pro-democracy *MIAs*", an abbreviation usually reserved for soldiers missing in action.

King Bhumipol's intervention has left the ball in the government's court. After meeting the king, Gen Suchinda promised to arrange for parliament to meet next week to rush through an amendment of the constitution, one of the *opposition's main demands.*

They want the constitution *changed to reduce the power of* the military-appointed senate and reserve the premiership *for an elected member of par*liament, but it is unclear how far the pro-military coalition which appointed the unelected Gen Suchinda is prepared to go down the path of reform.

> There is no sign of a solution to the problem of the military's long involvement in politics and business

Indeed, it was the coalition's hesitation on the constitutional issue which contributed to the violence in the first place. The five parties in the government, having conceded the need to change the constitution, appeared to be backtracking just before the disturbances erupted on Sunday night. King Bhumipol implicitly criticised Gen Suchinda on this point in his audience on Wednesday.

Throughout this week the members of the coalition, having won the elections in March with the help of vote-buying in the provinces, have either remained silent or made undiplomatic statements which have grated on the ears of the more sophisticated population of *Bangkok; the capital voted* overwhelmingly for Mr Chamlong in the elections.

Gen Suchinda dismissed his opponents as communists or Buddhist heretics. Mr Samak Sundaravej, deputy premier, responded to a question about the killing of anti-government protestors by saying: "Let me ask you something. Why didn't anybody blame President George Bush when he sent troops to invade other coun*tries?" And Mr Arthit Urairat*, speaker of the lower house of parliament, drew an angry reaction from doctors and patients at a Bangkok hospital when he and other coalition MPs visited injured protesters and handed them tins of evaporated milk.

Nor is it clear if Gen Suchinda is prepared to resign or *if the coalition would then* choose somebody acceptable to replace him.

After the loss of so many lives, the demonstrators are determined to win at least a modest victory. They have warned that the protests will resume if their demands are not met by parliament, but government MPs apparently do not share the same sense of urgency. It was announced yesterday that although parliament would meet on Monday it would not consider constitutional amendments until Friday.

"I think it's going to be very jittery over the next few days," said one western diplomat in Bangkok.

Even if a compromise on the constitution can be reached, there is no sign of a solution to the much deeper problem of the military's long-standing involvement in politics and business.

Freeed opposition leader Chamlong Srimuang yesterday: forced reconciliation brokered *by the king gives Bangkok a breathing space*

The generals have seen their freedom of action constrained in recent years by the growing confidence of civilian politicians. Thailand, however, did not resolve the issue of military interference when the king intervened to change the government after riots in 1973, and neither he nor anybody else is likely to do so now.

Nightmare in Bombay for bank chief

By Robert Peston

MR Malcolm Williamson's worst nightmare has come true. Since late 1989 when he joined Standard Chartered, the UK-based international bank, he has been trying to convince shareholders and rival banks that Standard's accident-prone days were over.

However, late on Wednesday Mr Williamson, now managing director, disclosed that the bank was making a £50m provision to cover possible losses on an arcane form of securities business carried out by the bank's branch in Bombay.

*Indeed, yesterday he admit*ted that the £50m estimated loss was an arbitrary figure. The loss should not be "more than £100m" and it "could be less" than the £50m.

Such uncertainty will not reassure the bank's shareholders, but it is understandable. Mr Williamson got wind of the problem only last Wednesday, when he was entertaining government officials in Brunei.

"When I was told, my initial reaction was shock, *disbelief*, lack of comprehension," he said. The source of the problem was a form of securities business unknown to him. Indeed, it appears that no one in Standard's City of London head office was aware the bank was involved in this business.

He then thought about flying to Bombay immediately, but could not get a *visa in Brunei* or in Manila, his next stop. So in the event Mr David Brougham, the bank's treasurer, and Mr Erick Naslund, its chief firefighter, were flown out with more than a dozen other executives to investigate.

What they found was "trunkloads of paper", Mr Williamson said. "Sorting it all out could take months". These banker's receipts are a form of IOU issued by banks in India. Settlement of Bombay stock *exchange transactions* is a lengthy and convoluted process. In order to create a more liquid market, banks issued IOUs to each other, which were promises to deliver shares or stock at some distant date.

The recipient of such an IOU *was not supposed to transfer it* to any other institution. But Mr Williamson said that a market developed in the paper. "It became a form of currency."

The amount of paper circulating then exploded from the beginning of the year, as Bombay share prices began to soar.

The only check on the integrity of the market was a monthly attempt by the Reserve Bank of India to verify whether there was a balance between banks *claiming to* be owed stock by virtue of the receipts they held, and those banks recognising a *liability* to deliver stock. "At the end of last month, the Reserve Bank noticed there was a massive imbalance", said Mr Williamson. "All the banks then started to assess their positions".

What Standard Chartered found was shocking. It has an exposure to £100m of transactions where it cannot be certain of receiving payment.

Mr Williamson said there were three possible explanations for this discrepancy:

- It may be holding forged IOUs.
- The counterparty named in an *IOU* may not have the financial capacity to complete the transaction.
- It may have received a claim from another bank and not have the securities claimed.

Not all the £100m is likely to *be lost. Over coming months* Standard should be able to make some further recoveries. However, it does not know whether other banks are holding further IOUs making claims on it.

S African employment crisis looms

By Frances Williams in Geneva

UNEMPLOYMENT in South Africa could climb to 7.3m or 57 per cent of the workforce by 2005, according to The International Labour Organisation. Already there are over 5m unemployed, nearly two in five workers, the ILO estimates.

While blacks bear the overwhelming burden of joblessness, the ILO says unemployment and poverty have surfaced among whites for the first time since the 1930s.

South Africa's labour force is expected to rise from 13.4m in *1990 to 20.2m in 2025*, with up to 500,000 workers entering the labour market each year. Only 31,000 new jobs a year were created in the 1980s and fewer since then, mostly in the public sector, the ILO notes.

The report also says South Africa has one of the highest rates of child labour in the world.

Afghan leaders sign agreement

RIVAL Afghan guerrilla factions announced an accord yesterday to pull back their forces and abandon war as a means of solving problems, AP reports from Kabul.

The agreement, negotiated by a neutral guerrilla party, also created a peacekeeping force. It banished from the interim government all high-ranking members of the ousted Communist regime.

The accord, however, still did not address a knot of political differences between guerrilla factions led by the Islamic fundamentalist Mr Gulbuddin Hekmatyar and Mr Ahmed Shah Masood, defence minister.

Military drives Nigeria to the brink

Michael Holman looks at the causes of political malaise in Africa's most populous country

"NIGERIA is in the grip of a revolutionary pressure," warned African Concorde, one of the country's leading weekly news magazines, in mid-April. An irate government confiscated the strongly critical issue *and closed the magazine for* two weeks, but the warning is proving prophetic.

Nearly seven years after seizing office in a bloodless coup, President Ibrahim Babangida faces a crisis that threatens next January's scheduled *handover to civilian rule*, and imperils the stability of Africa's most populous state.

At least 250 people are reported to have been killed in clashes in Kaduna state, angry youths have rioted in Lagos, the biggest city, while trouble yesterday broke out near Abuja, the new federal capital, and in Lagos, the largest city. *Police used tear gas to break* up ethnic fighting in a Lagos market.

The violence, often described as "religious and ethnic riots", is undoubtedly caused in part by rivalries in a country divided between a largely Moslem north and mainly Christian south, *and with three lead*ing ethnic groups. But the violence is also a symptom of a different malaise.

The military government is fighting for its life, undermined by economic mismanagement and endemic corrup*tion, and under attack for* human rights abuses. Living standards have fallen drastically in the 12 years since Nigeria's oil boom ended.

The roots of the crisis can be traced back many years, but what may prove to have been the *turning point for* the Babangida government came last March. A big devaluation of the naira (from 10.5 naira to $1 down to 18 naira) was a last-ditch attempt to shore up a faltering structural adjustment programme, and meet one of the main conditions for the renewal of a lapsed standby agreement with the *International Monetary Fund.*

The result was all pain and no gain. Prices soared, and inflation is set to reach 50 per cent later this year. The IMF negotiations that followed failed to clear other hurdles including the size of the budget *deficit*. Meanwhile the IMF deadlock holds up urgently needed rescheduling of Nigeria's $30bn external debt.

A series of other developments further eroded the government's standing. A confidential World Bank report which reached the press was highly critical of the lack of accountability in government spending – a polite way of referring to corruption. Nigerians and foreign partners alike have been dismayed by the government's profligate spending on Abuja, continued funding of an uneconomic $5bn steel project, and a $1.4bn alu*minium project of arguable* merit.

For all the promises of probity, the military élite is as corrupt as any regime that preceded it, taking kickbacks on contracts and diverting government funds. But for sheer audacity, the government's unrepentant admission that it had provided middle-ranking army officers with private cars on nominal repayment terms took some beating.

For infuriated Nigerians, with per capita income down by two-thirds over the past decade, it was the act of a cynical self-serving regime.

If the return to civilian rule had whole-hearted support, there would be a safety valve for the current tensions. But many Nigerians are resentful that the government insists that only two political parties will be allowed, their rule*books written by civil servants* and indistinguishable the one from the other.

If the violence continues, however, even this unsatisfactory path to democracy may be closed – if not by Gen Babangida, then by his successor from the barracks.

Chinese party leader extols the virtues of capitalism

JIANG ZEMIN, the Chinese Communist party leader, has staked his position firmly in *the pro-reform camp with a* glowing tribute to capitalism, Reuter reports from Beijing.

In comments to graduates, carried on the front pages of all leading newspapers yesterday, Jiang said the main goal of China's economic reform was to learn from capitalist nations. Western diplomats said it was clear Jiang had thrown in his lot with senior leader Deng Xiaoping's reform drive.

"*The main goal and contents* of China's reform and opening policy is to learn all the good and advanced things from overseas, including from capitalist countries, to speed up economic development," Jiang was quoted as saying.

Jiang: shifting with the prevailing wind

Learning from capitalist countries has been a theme of Deng's campaign to speed up *the pace of market-oriented* change. It has been fiercely resisted by ideologues who see it as a betrayal of *socialist* principles.

Diplomats said Jiang, along with Prime Minister Li Peng, lacked an independent political base, and moved with prevailing winds. Consequently, their statements were a good indication of the balance of power in China.

● Sweden's Defence *Research Establishment* (FOA) said yesterday it had monitored what it believed was the most powerful Chinese nuclear test explosion since 1976, Reuter adds from Stockholm.

Israeli air raids kill nine guerrillas in Lebanon

By Lara Marlowe in Beirut

ISRAEL'S war with the pro-Iranian Lebanese Shia Moslem Hizbollah escalated yester*day when Israeli aircraft twice* bombed Hizbollah targets in Lebanon, killing nine guerrillas and wounding 20. Unconfirmed reports said that one of the dead was an Iranian revolutionary guard.

The bombing raids and helicopter gunship attacks on two Shia villages in southern Lebanon constituted the most serious Israeli offensive against Hizbollah since the violence which followed Israel's assassination of the group's *leader*, Sheikh Abbas Musawi, in February.

A Hizbollah delegation had met Syrian Vice-President Abdel-Halim Khaddam in Damascus on Wednesday night. Syria has supported Hizbollah's "resistance" operations against the Israelis. The first Israeli bombing raid yesterday targeted a Hizbollah base at Janta, just three miles west of the Syrian border, renewing fears that Syria could be drawn into the Hizbollah-Israeli conflict.

The current round of fighting began on Tuesday, when Hizbollah militiamen overran a hilltop position of the South Lebanon Army (SLA), Israel's proxy militia in southern Lebanon. In that attack, Hizbollah killed at least one SLA man and captured four others.

Israeli radio called the SLA's performance "a disgrace" and criticised the performance of SLA commander General Antoine Lahd.

Foreign banks await securities scam fall-out

By David Housego in Bombay

WITH INDIA'S financial *markets in disarray as a result* of irregular securities trading, foreign banks are nervous that in the fall-out from the country's worst financial scandal they could face a further setback to their expansion plans.

Foreign banks dominate the interbank securities *market* from which Mr Harshad Mehta, the Bombay broker, and others raised large sums for stock market speculation. These institutions face the charge that it was their more innovative and aggressive trading practices that produced the environment in which abuses flourished.

The two oldest *foreign* banks – Standard Chartered, the British-based bank, and ANZ Grindlays, the former UK bank now Australian-owned – are seen to have had inadequate controls over their securities dealing. Standard Chartered has announced *provisions of £50m for losses in* its operations. Grindlays is believed to be exposed on Rs5bn to Rs6bn (£97m-£116m) of transactions, though ultimate losses could be substantially less.

Foreign banks, which account for 6 to 7 per cent of bank deposits, had hoped to be a big beneficiary of financial deregulation – both through setting up new investment banks and through *more* branch offices.

Part of the suspicion of foreign banks stems from the different compulsions under which they act compared with the state-owned banks. The state banks – though this is now beginning to change – had as their primary function allocating credit at gov*ernment direction. They* were not too worried about their balance sheets. The foreign banks are increasingly profit-driven and in search of new opportunities to improve earnings in a tightly-regulated banking system that provides little room to manoeuvre.

The local state-owned banks used the interbank market to purchase securities in line with statutory liquidity requirements laid down by the Reserve Bank of India, the central bank, that they hold a pro*portion of their deposits* – until recently 38 per cent – with the Bank in government paper.

Foreign banks, however, actively traded in the market. They swapped securities of dif*fering interest rates and matu*rities to improve yields; they sought to prevent the depreciation of their portfolios when interest rates moved; and they looked to trading profits. They also introduced new instruments into the market – such *as the banker's receipt, a prom*issory note issued by a bank to pledge delivery of securities. Fraudulent and uncovered banker's receipts lie at the heart of the scandal.

Over the last 18 months nationalised banks have come under pressure to improve their balance sheets as a first step to financial reform. Inter*est rate changes became more* frequent – with the beginnings of deregulation, rates were moving more in line with inflation. Both foreign and state-owned banks responded with increased trading.

A new generation of brokers – *of whom Mr Mehta is the* symbol – entered the market pressing new techniques and cutting new deals. Mr Mehta is an approved Reserve Bank broker in the securities market. Many were not.

A year ago the stock market took off on a boom that was to treble the value of the Bombay Stock Exchange index. The temptation grew to syphon funds from trade in government debt to make share pur*chases* on the stock market.

In this hothouse atmosphere, central bank supervision was inadequate and carelessness crept into trading. The Reserve Bank's own ledger *of security* transfers – maintained by hand – fell well behind. Banks *failed to verify with each other* the authenticity of banker's receipts. Smaller banks – most prominently the Bank of Karad, which now has problems meeting *its obligations* – issued receipts of a size out of proportion with their *assets.*

Some foreign banks are patting themselves on the back that they have got away unscathed. "Its a tribute to our systems and *our procedures*," said one. But in such an unruly market those who escaped had luck on their side.

● Mr Manohar Jethnand Pherwani, head of the state-owned National Housing Bank, who resigned last week when inves*tigators discovered that Rs7bn* was missing, died yesterday of a heart attack.

Warring Sudanese factions to hold talks in Nigeria

By Michael Field, recently in Khartoum

TALKS are due to begin on Sunday in the Nigerian capital Abuja between the Sudanese government and southern reb*els who have been fighting a* particularly bloody civil war since May 1983.

The talks are being organised by Nigeria, which is current chairman of the Organisation of African Unity and was given a mandate by the organi*sation last year to bring the* two sides together.

The Sudanese government delegation is due to meet Mr Lam Akol, who is one of the leaders of the Nasir faction that has recently broken away from the rebel Sudan People's Liberation Army.

Whether the SPLA leader, the dictatorial Mr John Garang, will himself be present is *not yet clear*. On previous occasions in the last two years, when the two sides established contact in Nairobi and *Addis* Ababa, Mr Garang was known to be in town but would not meet the other side.

What might give hope for the present talks is that both sides have good reasons for bringing the war to an end.

In the latest dry season of November to May the northern army has captured a number of important southern towns. The SPLA was also weakened by the collapse in Ethiopia last year of the hardline communist regime of Colonel Mengistu, who had been its main outside backer.

On the northerners' side the main reasons for wanting peace now are economic. Military spending has been consuming a large part of the government's budget and a lack of progress towards peace in recent years has been a main reason why Sudan has not received development aid from *western countries.*

The army also has suffered heavy casualties in recent fighting. A military hospital area near Omdurman, across the Nile from Khartoum, has been closed to civilians so that they cannot see the large numbers who have been coming back *from the south badly* wounded. Before the recent campaign began there were mutinies in some of the northern army garrisons.

But if the military and economic logic point to peace, the political signs are less encouraging. The reasons go back to the breakdown of the Addis Ababa agreement, which ended *the earlier civil war* of 1955 to 1972. The agreement established a federal system of government which gave the south autonomy and recognised its distinct cultural identity.

But later the central government began amending the boundaries of the south so that *it could transfer to the north a* small oil discovery in the Upper Nile province, some uranium deposits and the fertile Renk area bordering the White Nile. Then there were attempts to introduce the north's Arab and Islamic culture into the south.

If there is to be an agreement at Abuja one possibility is that the southerners will have to accept that, even if they get regional autonomy they will be disadvantaged second-class citizens in an Islamic state, excluded from any important jobs in the north, which has 20m out of Sudan's total population of 26m.

Alternatively the northern regime, if it is not prepared to weaken its commitment to Islamic law Arabism, might think of allowing the south complete independence. This is now discussed quite widely in Khartoum, where it is *suggested* that *some members* of the government might like to be rid of their Christian and pagan minority, but officials of the regime reject the idea.

Murdoch enters TV soccer dispute

By Raymond Snoddy

Tough match: ITV executives Trevor East (left) and Greg Dyke want fresh soccer bids

MR RUPERT MURDOCH, chief executive of News Corporation, promised English football's new Premier League the backing of "the whole company" in the bitter battle over television rights.

Apart from owning 50 per cent of British Sky Broadcasting, the satellite television consortium which on Monday won rights to broadcast 300 live Premier League matches over five years, Mr Murdoch also owns five national newspapers.

At the Monday meeting of football chairmen and chief executives, Mr Rick Parry, chief executive of the Premier League, said they had been guaranteed the backing of News International, News Corp's UK subsidiary and "the personal commitment of Rupert Murdoch".

Mr Michael Grade, chief executive of Channel 4, said that, if true, the Murdoch promise was not "the level playing field or the new spirit of competition envisaged by the Broadcasting Act. It shows how unregulated cross-media ownership can distort the market".

Meanwhile, Mr Greg Dyke, chairman of ITV Sport, said he had written to Sir John Quinton, chairman of the Premier League, asking for Monday's decision to be set aside. ITV asked that both BSkyB and ITV be allowed to submit *sealed bids to an independent* arbitrator. Mr Parry, however, said Monday's decision was "irrevocable."

The combined BSkyB-BBC offer was worth a total of £304m compared with a final ITV offer worth £262m over five years.

Mr Alan Sugar, chairman of Tottenham Hotspur, a Premier League club, and of Amstrad, which sells satellite dishes, conceded he had spoken to BSkyB on the day of the meeting but that the company had already been informed of the new ITV offer. Mr Sugar said nothing unfair had happened on Monday. "There was never an official tender offer date. Mr Parry always made it clear to both parties the latest offer status. Both companies had up to the last minute to make their final offer and they did. "ITV had been soliciting each chairman with an envelope including their final offer at the doors of the meeting." the Spurs chairman said.

At the meeting, Mr David Dein of Arsenal had asked that Mr Sugar abstain from voting because he was a manufacturer of satellite equipment. Mr Sugar offered to do so but the club chairmen and chief executives present decided by 20-1 to allow him to vote.

Mr Dyke said ITV Sport felt it had been misled during the negotiations. "We are told that when the meeting started at 10am the bids were very close. However, by one means or another BSkyB learned of the size of our bid and was allowed to increase their bid during the course of the meeting."

Mr Sam Chisholm, chief executive of BSkyB, in which Pearson, owner of the *Financial Times has a stake*, expressed surprise that ITV was seeking to re-open the bidding. He quoted from a letter sent to him by Mr Dyke on Tuesday: "Dear Sam, A quick note to say well done. It was a fair and open battle and your millions were simply too much for us. We have no hard feelings against BSkyB - that's business."

PowerGen seeks tunnel rail depot

By Paul Cheeseright, Midlands Correspondent

POWERGEN, *the electricity* generator, and Trafalgar House Business Parks, part of the shipping, construction and property group, yesterday emerged as potential sponsors *of an independent railfreight* terminal after the privatisation of British Rail.

The two companies plan to develop a business and distribution centre based on a railfreight terminal at Hams Hall, near Coleshill, north-east of Birmingham.

Hams Hall is one of two sites in the west Midlands deemed suitable by Railfreight Distribution, BR's international freight arm, as Channel tunnel terminals. The other, promoted by the Black Country Development Corporation, is at Bescot in Walsall.

PowerGen said it is assuming that Railfreight Distribution will choose Hams Hall, "but if it does not we will seek an independent operator for the terminal". Development of the terminal would take place *regardless. Railfreight Distri*bution expects to make a decision on its choice of terminal at the end of next month. But the future of Railfreight Distribution is unclear.

Companies may compete to carry Channel freight

By Richard Tomkins, Transport Correspondent

MR JOHN MacGregor, transport secretary, yesterday opened up the possibility of head-on competition between two different railway companies for Channel tunnel freight traffic.

Answering a written Commons question, Mr MacGregor announced that the planned £4bn high-speed link between London and the Channel tunnel would be designed to carry freight traffic as well as passenger trains.

Until then it had been expected that the link would carry only high-speed passenger trains, while all Channel tunnel freight traffic used BR's existing tracks to the Kent coast.

The *effect* of yesterday's announcement is that freight train operators will have a choice between two routes to the tunnel: the existing lines owned by BR (or a privatised *version of the corporation*), and the new line which the government has said will be built and owned by an independent private developer.

The transport department said *yesterday it was* not strictly necessary for the high-speed link to carry goods trains because there was sufficient capacity on the existing network for all anticipated *freight traffic*.

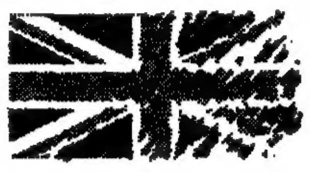
This meant that two freight tracks could not be added to the parallel passenger tracks because the extra £2bn cost could not be justified.

The department, however, said it could not rule out the possibility that demand for freight services might be greater than forecast – for example, if a second Channel tunnel were to be built.

The government, therefore, has gone for the relatively low-cost option of incorporating passing loops into the railway so that high-speed passenger trains can overtake slower freight trains.

The dimensions of the tunnels and platforms will also allow for larger, Continental-size freight trains. It is still unclear, however, is whether a *private sector developer* will be found to build the line or when it will eventually open. The likelihood is that it will not come into operation until well into the next century.

Britain in brief



ITC criticises coverage of EuroDisney

The Independent Television Commission has censured ITV for a breach of its code of practice on sponsorship because of its coverage of the opening of EuroDisney *in France*.

The ITC told London Weekend Television, the ITV company that produced the programme and operates in the capital, that it thought the *extent and degree of promot*ional material in the programme was excessive.

A substantial portion of the coverage, the ITC noted, had been provided by Buena Vista *Productions*, a wholly-owned subsidiary of Disney.

The ITC also found that British Sky Broadcasting's World Cup Cricket coverage in March had infringed a number of programme sponsorship rules.

More charities submit accounts

Nearly half Britain's registered charities submitted accounts to the Charity Commission last year as part of the drive to improve the sector's administration. The proportion of registered charities submitting accounts in 1991 – 46 per cent – compares with only 11 per cent in 1989.

EC study urges cut in emissions

The first EC-funded *study* of environmental problems in a *British city has found some* 2.3m tonnes of carbon dioxide, the main greenhouse gas, was pumped into the atmosphere over Newcastle upon Tyne, on the north-east coast of the UK, in 1990.

Existing technology, however, could reduce these emissions by 45 per cent by the year 2010, according to the report published by the city council.

The main steps needed, it says, are construction of a medium scale gas-fired combined heat and power station, restraints on traffic, improved energy efficiency by domestic, *commercial and industrial* users and encouragement for local renewable energy projects.

Gentle boost for economic hopes

Tentative signs that business and consumer confidence is gathering strength have been gently boosted by news that bank and building society lending rose in April.

Figures from the Bank of England showed that lending by banks and building societies to the private and corporate sectors – M4 lending – grew by £1.6bn in April.

Economists, however, warned against reading too much into one month's figures of an erratic series, and said much of the growth in net lending was a rebound from March's very poor figures.

Builders seek pay freeze

Building employers have proposed a freeze on current basic pay rates in talks covering 600,000 building and civil engineering workers. The proposal was rejected by the *union side and further talks* are due to be held on June 9.

The Building Employers Confederation and the Federation of Civil Engineering Contractors – said the industry was "still *stuck* at the bottom of the longest recession the economy has suffered since the 1930s". An estimated 300,000 jobs would be lost in the sector by the end of 1992 and there had been nearly 8,000 bankruptcies and liquidations in 1991 – a 61 per cent increase on 1990, they said.

Fewer investors turn to Ulster

Northern Ireland had one of its worst-ever years for attracting overseas investment last year, according to figures released by the Industrial Development Board (IDB), the province's main jobs agency.

The effects of the recession, resulting in projects promising hundreds of jobs either being delayed or abandoned, and an upsurge in terrorism affecting confidence among potential investors, were blamed for the poor performance.

Mr John McGuckian, IDB chairman, blamed the problems on fears of terrorist-related crime. "We know this was a major influence on those companies who have chosen other locations over the last twenty years," he said.

Chambers press for register

Britain's Chambers of Commerce are to press the government to support the establish*ment of* a mandatory trading register for all companies along the lines already adopted by many EC countries.

Representatives of the chambers are to meet Mr Michael Heseltine, trade and industry secretary, on June 8 to seek ministerial backing for a wide ranging overhaul of the system of registration now in force for trading organisations. The initiative is designed to simplify and speed up the process of company licensing and registration and improve the flow of commercial information available but *not easily accessible* within the private sector.

Industrial spending falls

Capital spending by manufacturing industry fell at a quickening rate of 4 per cent in real terms in the first quarter of this year, *indicating* no easing of the recession in investment. According to the latest provisional, seasonally adjusted estimate from the Central Statistical Office, real capital spending (*which includes expenditure on* leased assets) was 11 per cent lower than in the same period of 1991. The decline – to £2.37bn in 1985 prices – followed falls of 2.75 per cent and 0.5 per cent respectively in the final and third quarters of last year, but was less steep than the 8 per cent drop registered in the first quarter of last year.

SFO raises threshold on fraud cases

By John Mason

BRITAIN'S Serious Fraud Office (SFO) in future will only investigate alleged frauds involving £5m or more, leaving lesser frauds to other legal authorities, Mr George Staple, the SFO's new director, announced yesterday.

It is now expected take on new cases only where it expects to use its unique "Section Two" powers to compel interviewees to give evidence, he added.

Mr Staple said the SFO's decision to tighten its investigative criteria on new cases, including raising the threshold from £2m, was prompted by an unprecedented rise in the value of alleged frauds.

A former partner at the City of London law firm Clifford Chance, Mr Staple last month took over at the SFO from Mrs Barbara Mills, the new director of public prosecutions.

Although the SFO will continue to maintain its current workload of about 60 cases a year, its move is expected to put pressure on other prosecuting authorities, such as regional police forces and the fraud investigation group at the Crown Prosecution Service.

Speaking after the publication of the SFO's annual report yesterday, Mr Staple said the total value of alleged frauds had risen last year from £1.6bn in 1990-91 to £5.3bn in 1991-92. The inquiries into the Bank of Credit and Commerce International and Maxwell scandals were largely responsible for the increase.

"While the caseload of the SFO has remained at around 55 to 60 cases, their size and complexity has increased," Mr Staple said.

Last year, the SFO brought prosecutions against 58 defendants and achieved a conviction rate of 66 per cent - a marginal increase of 3 per cent over 1990-91. The most common type of fraud handled by the SFO was frauds on investors, followed by frauds on banks and creditors of companies.

Commenting on the current debate over how the legal authorities should tackle fraud, Mr Staple recommended a

that cases should still be tried before juries.

He also proposed the introduction of new rules to compel defence lawyers to state their case earlier during legal proceedings. All SFO cases, he added, should be transferred from magistrates courts to crown courts without so-called committal proceedings in order to speed the legal process.

Investigation launched into missing payroll tax

THE Serious Fraud Office is investigating how Payroll Services, a private payments company, allegedly diverted more than £24m of tax payments from the Inland Revenue and may have invested in a string of properties and a Spanish Villa, writes Richard Gourlay.

Payroll Services, based in Sutton, in south London, which serves more than 500 banks and financial institutions around the capital, went into provisional liquidation last month after the Inland Revenue discovered one of the companies had fallen badly behind on its tax payments.

The SFO is also investigating Payroll Services's parent, the Wren Group, where some of the money was transferred, and the directors of the companies, according to Touche Ross, the accounting firm acting as provisional liquidator.

The Inland Revenue is understood to have extended a moratorium on the payment of these missing taxes. But it says Payroll Services' clients - which include a number of London offices of large Japanese and European banks - will have to make a second tax payment if the missing funds are not recovered.

According to the Touche Ross report, Wren Group appears to have invested in 55 properties, some of them residential, while Payroll Services owned a £75,000 villa in Spain.

Names face £80,000 cash call

By Richard Lapper

ABOUT 400 Lloyd's Names will learn this week that they must pay an average of more than £80,000 each to meet losses sustained since 1983 by syndicate 387, which specialised in offering stop loss reinsurance policies to other Names.

Syndicate 387's losses for 1989 alone amount to £32.93m, one of the worst results produced by any of the 401 syndicates trading at the Lloyd's market in 1989.

Lloyd's is expected to report a loss of between £1.6bn and £1.8bn for 1989 next month according to latest estimates.

The affairs of over 70 per cent of the syndicate's Names were handled by agencies linked to Lime Street Underwriting.

The syndicate was formerly managed by the Gooda Walker agency, which went into liquidation last October.

Many of the Names – individuals whose assets back underwriting – already face severe underwriting losses as a result of their membership of syndicates managed by Gooda Walker, Rose Thomson Young and other agencies which underwrote spiral reinsurance business, in which syndicates and London market companies reinsure each others' exposure to catastrophe loss.

Syndicate 387's present managers, GW Run Off, have called in cash to meet losses on five separate underwriting years – 1983, 1984, 1985, 1988 and 1989 – all of which have been left open because of uncertainty about the size of future compensation claims.

Campaigners seeking more liberal planning laws have claimed a victory following a government decision to protect an 18ft fibreglass shark built into the roof of an Oxford house.

The Department of the Environment upheld an appeal by Mr Bill Heine, owner of the house, against an Oxford City Council order that the sculpture – by Mr John Buckley, pictured above – be removed. "It is a wonderful triumph for art in public places," said Mr Heine.

Mr Tony Baldry, junior planning minister, said he agreed with the DoE inquiry inspector that: "This is one case where a little vision and imagination is appropriate. Any system of control must make some small space for the dynamic, the unexpected and the downright quirky, or we shall all be the poorer for it."

Inefficiency found at yards

SIGNIFICANT delays and cost overruns in the refitting of British naval vessels at the privately-managed Devonport and Rosyth dockyards have been highlighted in a new report by the National Audit Office, writes David White.

The report by the public spending watchdog underlined the problems of high overhead costs and excess capacity at the yards.

Although it recognised that commercial managers had improved efficiency, there was no way of assessing the savings achieved since the ministry of defence handed over the running of the yards to private managers in 1987.

The report was welcomed by both Devonport Management Limited (DML) and Babcock Thorn, the managers at Rosyth, saying it confirmed their success.

The NAO, however, described progress on the government's objectives in introducing private-sector management as "mixed".

A sample of nine projects showed an average 13 per cent overrun on planned completion times and an average 18 per cent overrun on budgeted costs. Out of 28 total projects completed at the two years in 1990-91, 24 were behind schedule and 22 were over budget. But the NAO blamed most of the increases on additional requirements by the MoD.

DML said it was "positively addressing" some of the problems identified by the NAO. But delivery performance could be affected by factors outside its control.

The report supported the dockyard managers' plea for greater stability in the repair and refit programme, saying reductions in the workload had made forward planning difficult.

Naval dockyards pay price of peace dividend

Declining orders are threatening two naval yards, says David White

BRITAIN'S two main naval dockyards are fighting a highly-politicised battle for survival. Within the next year, the private-sector companies which have been running them since 1987 believe their fate will be sealed.

When the two refit yards - Devonport Royal Dockyard at Plymouth and Rosyth Royal Dockyard in Fife – were placed under private-sector management the change was hotly contested by unions.

For one of the yards the experiment may reach a dead end, even before the initial seven-year licence contract with the Ministry of Defence (MoD) is over.

Both yards have been through heavy redundancy programmes, paid by the government. The number of jobs at Devonport in south west England, with an annual turnover of about £270m, fallen from more than 11,000 to just over 5,000. The workforce at Rosyth in Scotland, with turnover of £180m, has fallen from about 6,000 to 4,200.

The MoD, which still owns the facilities, guaranteed the managers a "core programme" for refitting surface ships and submarines – about two-thirds of naval work, the rest being put out to competition or carried out by the navy's maintenance yard at Portsmouth.

But the whole programme has been substantially reduced. Fleet numbers have been cut, some vessels are to be withdrawn from service earlier than expected, and the latest ships need less maintenance.

Devonport Management Limited (DML), a consortium led by Brown and Root, the US concern, Balfour Beatty (part of BICC) and the Weir Group, says its warship refit work has been cut by 45 per cent compared with the original programme.

Mr Mike Leece, managing director, reckons that the whole naval industry – shipbuilding and refit – will provide no more than 11,000-12,000 jobs in the late 1990s compared with 30,000 in the mid-1980s.

The future of the two yards now depends on the MoD's crucial decision over the siting of new refuelling and refitting facilities for nuclear-powered submarines. At present, Rosyth deals with refits of the UK's Polaris ballistic-missile submarines while work on nuclear-propelled "hunter-killer" submarines is split between Rosyth and Devonport. Both DML and Babcock Thorn, the management consortium at Rosyth, believe the logical option is to concentrate this work in a single site.

Cranes and lorries are already busy at Rosyth building a facility to accommodate Trident submarines, the larger successors to Polaris. Plans include two dry docks and an integrated refuelling site, Some £50m has already been spent. The overall cost was originally put at £450m.

At Devonport, DML says it could provide similar facilities for less than £200m and the extra work would greatly increase its efficiency.

Both yards have also diversified into areas such as refurbishing railway stock and boatbuilding. But they both see their future pinned to the submarine business.

The MoD is due to inform them by October 5 whether it proposes to renew their contracts, which expire in April 1994. The government's aim is to move further towards full privatisation, giving contractors a bigger role in asset management and more liability for redundancies.

Both dockyards are adjacent to naval bases – another area under review at the MoD. DML argues that the Royal Navy, under pressure to find substantial savings in support costs, cannot sustain three bases in the south - at Plymouth, Portsmouth and the smaller establishment at Portland – and that the whole complex could be at risk, affecting 10,000 jobs.

"At the end of the day," says DML's Mr Leece, "one of us is going to pay the peace dividend."

MY OFFICE

When Mrs William Waldegrave was shown around Whitehall recently by her husband, the new minister for the Civil Service, she was taken aback by Sir Robin Butler's office. The top mandarin's room was larger *and finer than her husband's*, she noted cooly.

You do not need to be the boss's wife to register that Sir Robin, cabinet secretary and head civil servant, works somewhere special.

From the stately entrance to the Cabinet Office at 70 Whitehall, the visitor is in for an experience. First *come the top-security electronic* entrance gates. These open on to grimy modern corridors which lead to the Tudor "cockpit passage". The mood changes again: deep red carpet, oil paintings and outsized marble fireplaces reveal the source of power is not far away.

After some delay, Sir Robin emerges from the connecting passage to 10 Downing Street, where he has been busy with plans to make public a little of what goes on behind that discreet door.

"So sorry to have kept you," he says, smiling graciously. Sir Robin seems a cardboard cut-out of the old-style mandarin: courteous, intelligent, well-informed. He has adapted himself to the whims of four different prime ministers and is more than equal to making visitors at ease.

Lucy Kellaway slips past security cameras and through a discreet door to find Britain's top civil servant. Sir Robin Butler is a mandarin who really does say:

Yes, Prime Minister

He opens the door into his office. The sun streams in from three large windows overlooking a well-known part of London. The Civil Service may be becoming more open, yet the exact location of its top people's offices remains secret.

The room is magnificent. Larger than a squash court, and with a *soaring, pink-domed ceiling, it* was designed by William Kent in 1736 for the Treasury. "It is not just big and grand, it is aesthetically pleasing," says Sir Robin, uncharacteristically stating the obvious.

Despite the pressures of his timetable, the cabinet secretary seems without a care as he describes how the room occupies the site of Henry V's cockpit, and how later, Queen Anne was held there under house arrest. More recently still, it was the model for Sir Humphrey's office in the TV series, "*Yes Minister*".

The sense of tradition is so pervasive that there is little scope for successive incumbents to make their mark. Yet even if Sir Robin had a free hand, he surely would not have changed it much. He certainly would not have followed racier Treasury colleagues in *employing young London designers* for a re-fit. Instead, the man slots naturally into his surroundings. His innovations have been modest: he has put blue velvet chairs and sofas round the fireplace where he sits when he is "fixing things with people, or receiving international visitors". He uses his fine desk only *when alone. "I'd rather* be chummy than domineering," he says.

He has also removed the photographs of statesmen favoured by his predecessor, Sir Robert Armstrong. In their place sit snaps of his family and of their house in Cornwall, incongruous under a glowering portrait of Handel.

His most notable addition has been a stag's head – a golf trophy won by himself and Terry Burns (now permanent secretary to the Treasury). They no longer hold the *title, but Sir Robin – who is still* a keen sportsman and cycles around town to meetings – keeps the trophy as Treasury staff found it offensive on animal rights grounds.

The personal effects suggest that their owner is correct but not stuffy. Indeed, in his old job at the Treasury, he became so frustrated *at the dirt on his windows that he* abseiled down the outside of the building to clean them.

"It was a threat. I said that if no one cleans them, I'd do it myself. There was already a bolt on the wall, and I attached myself to it with a safety harness." He takes promises seriously, it seems.

On his first day in the Cabinet Office, Sir Robin "cowered into the corner", but now he feels so comfortable that he fancies his stately chamber has "the sense of a house".

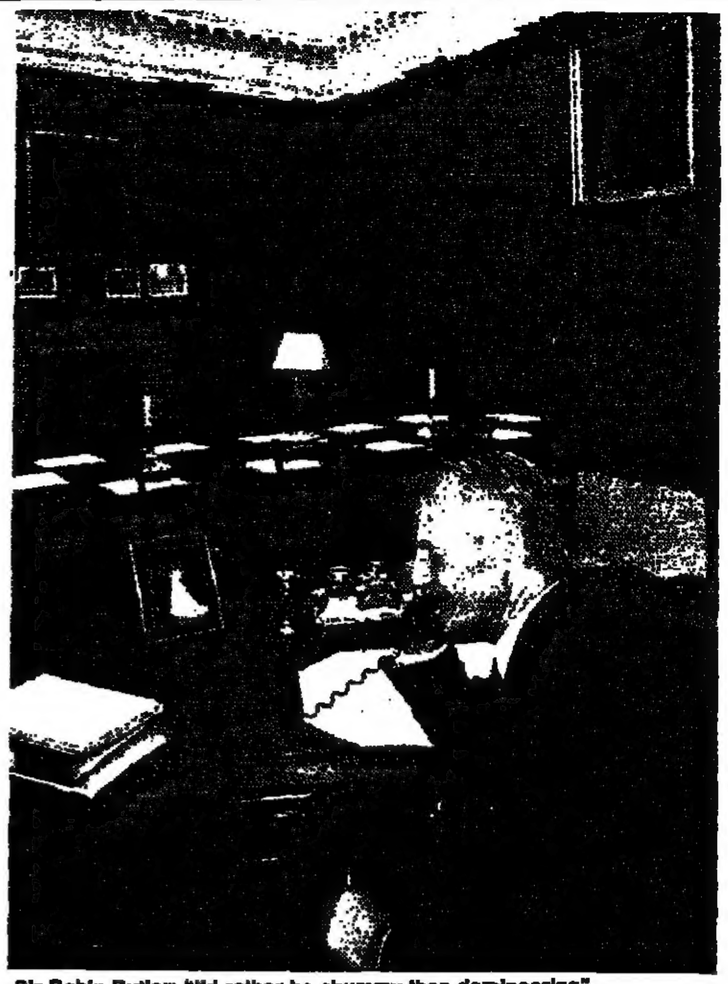
He says he likes the mixture of "history and high-tech", although to the visitor, the latter is scarcely in evidence. There are a few telephones, some of which have innocuous-looking scrambler devices attached. Otherwise, a television and a Dictaphone are the most advanced pieces of equipment. *There are no computer screens* – Sir Robin does not know how to use them. Instead he relies on his staff.

Next door, in a powder pink corner room, three brainy looking women are hard at work. To help with his fully-packed day and to deal with cabinet matters he has a PA, an assistant PA, a diary secretary, *someone to look after his* papers and four secretary-typists.

From the atmosphere in both rooms, you might be in the 1950s or 60s, rather than the decade of the Citizens' Charter and the management revolution in Whitehall. Yet Sir Robin insists that things have changed: "The job has become much more of a rush, there is greater openness of access, there are many more people coming in here to see me."

He is not always playing host, however. As head of the Civil Service, he sometimes dons his management, rather than policy, hat and goes visiting. Whenever the prime minister is out of town, he calls on rank-and-file government workers.

What does he think of the squalid conditions that some of them work in? Not perfect, but getting better, he says, ever the diplomat. "Local staff have their own budgets and can take their own decisions. That has improved standards. People work better and with more pride if they are proud of their environment," he says. Evidently, it is true of him.



Sir Robin Butler: "I'd rather be chummy than domineering"

Why it is the little things that matter so much

Christopher Lorenz says that many corporate culture change efforts are doomed to failure

The past decade has seen a flood of articles, books and speeches trumpeting the importance of altering a company's culture to improve its competitive performance. There can hardly be a more popular buzz phrase today, except perhaps for "total quality" and "change management" – both of which themselves involve extensive culture change.

So one would have thought that most top managers now realised that their companies can seldom achieve substantial strategic and organisational change without also altering their culture. They would also have some idea of how to achieve this.

Not so. Whatever they may profess, many companies persist in their old, ineffective ways, trying to accomplish strategic change by merely changing the systems and structures of their organisation. They become preoccupied with its rational, "hard" aspects.

They fail to confront the fact that its decisions are often deeply influenced by "soft" factors, notably the large *number of unspoken* assumptions and beliefs which managers in the organisation share about "the way we do things around here". As a result, their efforts to achieve change are resisted, and often fail.

This is one of the main conclusions of a study carried out over several years by Gerry Johnson, a professor at Britain's Cranfield School of Management. Some of its results are reported in an article in Long Range Planning Journal* and others - including ways of overcoming the problem - were discussed in *a set of papers presented at a* recent conference on "managing strategically", held jointly between Cranfield and the London-based Strategic Planning Society.

"Even when managers do realise the importance of culture," Johnson complains, they try "to reduce it to better communications, mission *statements* and notices hung on people's walls.

"That's not enough. Culture change needs to be made operational in all sorts of mundane and detailed ways," he stresses. "Unless it affects the day-to-day behaviour of *individuals throughout* the organisation, it won't work."

To help companies overcome this barrier, Johnson and his colleagues audit the various distinctive features of what he calls the organisation's "culture web". This brings to the surface, for discussion and potential change, such closely *related "soft" aspects of culture* as:

- "rituals and routines" (such as, in some consultancies, the "need" for partners to sign anything that goes to clients);
- "stories and myths" (such as legendary leaders and mavericks, plus past successes and failures);
- "symbols". This covers not only obvious things such as separate dining rooms and parking spaces for top managers, and the addressing of top executives by their initials or "sir". It also includes company-specific language which reinforces entrenched attitudes.

Among various colourful examples, Johnson cites a traditional tendency of British Rail planners to refer to passengers disparagingly as "pedestrian freight". Johnson's "culture web" also covers the more widely- recognised "hard" aspects of company culture, such as control systems, power structures and *organisation structures.*

Culture audits of this kind are necessary, he says, because the unspoken aspects of culture tend not to be made explicit through the debates on strategy that normally take place within most organisations. This is partly why most companies only confront such "taken-for-granted" facets – if at all – when they hit a crisis, or when the chief executive stimulates one.

"The very surfacing of these blockages means you can start addressing the question of how you might change them", says Johnson.

As an example of the intractable nature of unspoken cultural assumptions, beliefs and behaviour patterns in an organisation, Johnson cites the example of a successful down-market retailer whose performance suffered badly in the 1980s as its competitors revitalised themselves. Attempts to shift *towards more fashionable goods* came painfully slowly in the face of a set of unspoken beliefs and behaviours which assumed a low-cost, high-volume buying approach, including Far East sourcing.

Shops had always been seen within the company as places to dispose of the merchandise which had been bought: there was little comprehension of marketing.

Outsiders who had been brought in to create such changes did not last very long. Market research reports were re-interpreted to make sense in terms of what Johnson *calls the "taken-for-granted"* assumptions of how to trade.

Even when managers recognised intellectually the cultural constraints under which they were labouring, a set of factors hampered significant change, and even questioning of the status quo. These included political and ritual*istic behaviour, controls on costs,* the hierarchical nature of the organisation, managerial in-breeding, and all sorts of other links with the past.

The early attempts by the company to be "more fashionable" took the form of trying to copy fashionable merchandise from UK boutiques, have it cheapened in the Far East, and distributed through low-cost distribution channels.

"It was a merchandise and buying-driven response, rather than anything to do with the expectations of customers," says Johnson. "Nor did it address the ambience of stores, the service of staff, the behaviour of managers in head office, nor the fundamental quality of the product range." The company began to change, but was acquired by a bigger stores group.

When Johnson's "cultural web" mapping technique was then applied, the senior executives revealed that one of the biggest blockages of all was themselves, and various "routines" that they used. These included their lack of readiness to challenge each other and their emphasis on pragmatic, rather than analytical, decisions.

Despite this revelation, and the subsequent departure of several top executives, the company has never quite made the strategic breakthrough which it might have done, says Johnson. It has continued to stumble up against its remaining cultural hurdles.

**Strategy, Culture and Managerial Action. LRP Feb 1992.*

New breed of PC on the scene

A new class of lightweight portable personal computer is emerging with the launch of the first A-5 sized machines from Italy's Olivetti and Vortec, part of Korea's Samsung group.

The new machines are designed to fill the gap between palmtop computers, which generally have small keyboards and screens, and the larger A-4 notebook computers which currently dominate the growing portable computer market.

According to an Olivetti/Dataquest estimate, the market in western Europe this year for the high-end palmtop and entry-level notebook computers which the A-5 or "companion" machines are designed to replace, could be as high as 300,000 units.

Not surprisingly, some established portable PC manufacturers question whether there is a real market for the new machines. They point out that lighter and cheaper notebooks and more sophisticated palmtops like the new PC-compatible Sharp 3,000 are already arriving.

However, both Olivetti and Vortec are convinced that the particular features of their new machines – large-sized LCD screens, only slightly scaled-down Qwerty keyboards, hard-disk storage and full compatibility with the desktop PC MS-Dos standard all squeezed into a small 1kg package – will make them attractive options.

Olivetti's new machine, dubbed the "Quaderno" (which means "schoolbook") is being produced by its Pegasus joint venture with Tokyo-based Y-E Data. It will run for eight hours using a rechargeable NiCad battery pack – double the battery life of most notebooks.

Its most distinguishing feature aside from its $1,100 (£620) price, is its ability to record and play back sound. As Fabrizio Gimona, marketing director for Olivetti's PC range, puts it: "You can even talk to the Quaderno."

Vortec's Handbook PC also measures about half the size of a conventional notebook PC and weighs 1kg. It comes with a bigger hard disk and a more powerful processor but will cost about £1,500 when it goes *on sale next month.*

Both machines boast a suite of built-in functions including communications software which allows them to exchange data with a desktop PC using a plug-in cable.

Paul Taylor

Hugo Dixon explains the commotion surrounding the way Britain's telephone numbers are allocated

Crossing the lines

It is easy to see why Oftel, the telecommunications regulator, is annoyed. Eight months after announcing a new telephone numbering system for the UK with full backing of the industry, the consensus which underpinned its decision is unravelling.

The ensuing furore is complicating Sir Bryan Carsberg's last days as Oftel's Director General before he leaves to head the Office of Fair Trading next month. He would like to resolve the dispute but is anxious not to rush into a decision which might in several years be seen as a ghastly error.

The unravelling of the original consensus is almost entirely the work of Richard Cox, a Cardiff-based telecommunications consultant. Over the past year, he has unearthed information which challenges some of the premises on which Oftel's decision was based. "If the information now available had been provided two years ago, there would never have been any question of approval being given to the number change," he claims.

The planned number change involves putting a "1" after the initial "0" in each telephone code. For example, York's current 0904 code would become 01904. The idea is to create more numbers to deal with a shortage caused by the growth of new services.

The Telecommunications Managers Association (TMA), which represents large users, has taken up Cox's arguments. In a confidential paper to Oftel earlier this year, it said that the total cost of the code change would be £3bn, as equipment was modified or even scrapped, stationery reprinted and the public informed.

Moreover, the TMA argued that the change would be anti-competitive and would not even achieve its objective. It has urged Oftel to delay the change from 1994 until 1996 and to review the plan from scratch.

But the Telecommunications Users' Association, another user group, and BT, Britain's largest telecommunications group, strongly back the original decision. And, although Oftel has had to pause to reassess details of the code change such as whether it could be phased in to reduce disruption to customers, it believes there is no better alternative.

Those supporting the change argue that delay will confuse customers and stifle the growth of telecommunications services because it would be impossible to find new numbers. They also say that the TMA's costings are exaggerated – Oftel has put the total cost at only £1bn – and that this cost would be incurred even if there were a delay.

But what has really annoyed Oftel is its view that critics have reneged on a consensus that was reached after three years' discussion in the Telephone Numbering Administration Board (TNAB), a group which included the TMA.

Although there is little chance of the scheme being scrapped, the current storm has exposed defects in the way Oftel operates. The most important of these is the climate of secrecy.

"It is difficult to see how [TNAB], operating with undue secrecy and with no formal channel of accountability, can be seen as having achieved open consultation," the TMA said in its paper to Oftel.

TNAB met behind closed doors and for long periods Oftel refused to tell journalists what was happening. Moreover, data to support the main contention that the UK is running out of numbers and a full explanation of how the code change will solve the alleged problem have still not been made public.

At first sight, the idea that the UK is running out of numbers seems odd. The current numbering system – *consisting of a "0" followed* by up to nine digits – has a theoretical capacity of 1bn numbers of which only 30m are being used.

The reason for this inefficiency is that numbers are allocated in two stages. First, codes are given to cities, rural communities and non-geographical services like mobile communications and freephone services. Then numbers are given to customers.

The problem is that the numbers are unevenly spread, with some cities packed full and rural areas almost empty. Moreover, there are few unused codes left for new services and overflowing cities.

Critics of the change say the shortage is not too severe because customers could be fairly easily moved from codes which are little used, freeing up extra codes for busy cities. A code like 0393 for Foula in Scotland, which now has 25 customers, could theoretically accommodate 1m.

Advocates of the change say this type of "code recovery" is expensive and would not create enough numbers. But this claim is difficult to judge because Oftel has refused to publish information on either the future demand for numbers or the current state of supply. The only person who has is Cox and his figures (see graph) seem to support the contention that "code recovery" could buy breathing space.

Cox's other contention is that the code change will not solve the numbers shortage. It will only be the first step in a series of changes which will cause further disruption.

The essential point is that putting a "1" after the initial "0" will in itself achieve nothing except make numbers longer. It is only when other digits such as 2, 3 and 4 are inserted that the supply of numbers increases.

But no decision has been taken on how these other digits will be used. And there has been no public debate on what the numbering system will eventually look like.

Will Britain move to a uniform system of 10 digits as in the US or continue with the current system where some numbers have more digits than others?

What will happen to cities that run out of numbers? Five – Leeds, Nottingham, Bristol, Sheffield and Leicester – have nearly run out. BT has put forward a plan that would involve such cities changing both their numbers and codes.

Oftel believes it is premature to answer such questions because it is unclear how technology and the market will develop in the future. The main aim should be to build enough flexibility into the system so that it can last for perhaps half a century.

The snag is that by taking a decision which sets the framework for *the future without thinking* through the consequences, Oftel may soon find itself boxed in. Although the code change will be flexible in the sense of providing many options for future development, it may be that none is particularly palatable.

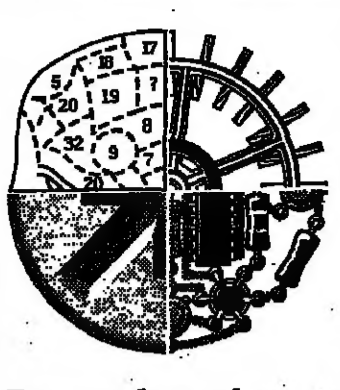
UK telephone codes

Top 20 codes / **Bottom 20 codes**

Code	Location	Customers	Code	Location	Customers
71	London (incl. 81)	[illegible]	393	Foula	25
61	Manchester	[illegible]	351	Fair Isle	50
21	Birmingham	[illegible]	951	Colonsay	100
51	Liverpool	562,000	528	Laggan	200
41	Glasgow	[illegible]	972	Glenborrodale	200
312	[illegible] (incl. 314)	388,000	809	Tomdoun	200
532	Leeds	316,000	935	[illegible]	200
602	Nottingham	298,000	801	[illegible]	[illegible]
31	Edinburgh	279,000	906	[illegible]	[illegible]
272	Bristol	260,000	882	[illegible]	[illegible]
742	Sheffield	256,000	660	[illegible]	400
533	Leicester	224,000	[illegible]	[illegible]	400
202	Bournemouth	204,000	[illegible]	[illegible]	400
232	Belfast	[illegible]	[illegible]	[illegible]	400
273	Brighton	[illegible]	[illegible]	[illegible]	400
203	Coventry	[illegible]	468	Hornby	400
703	Southampton	[illegible]	879	Scarinish	500
782	Stoke-on-Trent	[illegible]	571	Lochinver	500
642	Middlesbrough	176,000	431	Helmsdale	500
222	Cardiff	176,000	838	Dalmally	500

Source: Mandarin Technology

Worth Watching · Paul Taylor



Pacemakers do the quickstep

In a healthy person the heart responds to exercise and sustained physical activity by accelerating the heartbeat and pumping more oxygen-carrying blood around the body. But in diseased or damaged hearts pacemakers do the work.

Conventional pacemakers work with a piezoelectric (activity) sensor which speeds up heart rate in response to physical activity. But doctors have found a way to sustain higher heartbeat rates and improve workload capacity by adding a minute ventilation sensor.

Medtronic's new Legend Plus pacemaker, which was implanted for the first time in a 60-year-old patient in Munich last month, stimulates a diseased or damaged heart to pump more blood in response to the body's varying needs *for* oxygen.

The new device weighs 40 grams and lasts for more than eight years. Medtronic Europe: Brussels, 32 2 676 0850.

Sky's the limit for airport information

Airport arrival and departure displays provide important information to passengers about flights, but behind the scenes flight and other information is used by everyone from the airport controllers to service suppliers and accountants.

Often this has meant re-keying information, which is costly and increases the risk of error. But Sign2000, designed by Sheffield-based Sanderson Computers, is a computerised information display and management system which allows users to access the information as required.

The first installation at Newcastle Airport provides arrival and departure information, gate departure data, aircraft parking and weather information for flights.

The system can also control baggage carousels and provide information to airport suppliers like aviation fuel and catering operators. Sanderson Computers: UK, 0741 434373.

Laser printers burn bright

Laser Printers produce high-quality text and graphics but at between 1.4p and 2p a page they are expensive to run and generate a great deal of waste.

Now Kyocera of Japan is claiming a cost and technology breakthrough with its new "ecologically friendly" Ecosys FS-1500 printer, available next month, which it says reduces the cost of ownership by about two thirds to 0.6p a page.

Conventional laser printers need replacement *printer* drums periodically but Kyocera's new printer is built around an amorphous silicon (aSi) drum which is durable, scratch resistant and will last the life of the printer – even when using abrasive recycled paper. Kyocera: Japan, 075 592 3851; UK, 0734 311500.

Spot the difference

Sharks generally get a pretty poor press, but it seems they do have some rather surprising uses.

An international dermatologists' conference in Perth, Australia was told last week that shark bile, secreted by the liver to aid the digestion of fats, cuts down grease production and reduces acne significantly.

David Fenton of St Thomas's Hospital, London, told the conference that in a study of 15 patients who applied shark bile extract spray on their faces twice a day, 14 had significantly improved or altogether cleared their acne problems within two months. Two months after treatment stopped, the spots returned.

Known as isolutrol and marketed as Ketsugo, the solution has been patented by McFarlane Laboratories, a family-owned Melbourne drug company. McFarlane Labs: Australia, 61 3 894 4177.

COMPANY NOTICES

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the corporation's declaration of a dividend of $0.40 (gross) per share of the common stock of the corporation payable on the 10th June 1992 there will become due in respect of the bearer depositary receipts in gross distribution of 2.00 cents per unit. The depositary will give further notice of the sterling equivalent of the net distribution per unit payable on and after the 15th June 1992.

All claims must be accompanied by a completed claim form and USA tax declaration obtainable from the depositary. Claimants other than UK banks and members of the Stock Exchange must lodge their bearer depositary receipts for marking. Postal claims cannot be accepted. The Corporation's first quarter reports for 1992 will be available upon application to the depositary named below.

Barclays Bank PLC
Stock Exchange Services Department
168 Fenchurch Street, London EC3P 3HP

Notice to Holders of

SAISON GROUP

PARCO CO., LTD.

(the "Company")

(1) Warrants to subscribe up to ¥16,872,000,000 for shares of common stock of the Company issued in conjunction with U.S.$120,000,000 3⅜ per cent. Guaranteed Bonds Due 1993 (the "Warrants 1993"); and

(2) Warrants to subscribe up to ¥13,885,000,000 for shares of common stock of the Company issued in conjunction with U.S.$100,000,000 4 per cent. Guaranteed Bonds Due 1995 (the "Warrants 1995").

Pursuant to Clause 4(C) of each of the instruments of 10th August, 1989 and 11th April, 1991 relating to the Warrants 1993 and the Warrants 1995, respectively, it is notified to you that:

1. The Board of Directors of the Company, at its meetings held on 20th April and 28th April, 1992, resolved to issue and offer 5⅛% Bonds of 1992/1996 with Warrants in the principal amount of DM100,000,000 (the "Warrants 1996") with the initial subscription price of Yen 1,189 per share.

The current market price of shares as calculated pursuant to *the relevant provisions of the aforesaid instruments during the* 30 trading day period from and including 20th January, 1992 to and including 27th April, 1992 was Yen 1,613.30 per share.

2. The aforesaid issue resulted in adjustment of the subscription prices per share of the Warrants 1993 and Warrants 1995 as follows:

(1) The Warrants 1993:

Subscription Price before adjustment:	¥2,161.8
Subscription Price after adjustment:	¥2,084.2

(2) The Warrants 1995:

Subscription Price before adjustment:	¥2,180.9
Subscription Price after adjustment:	¥2,102.7

The aforesaid adjustments took effect as from 14th May, 1992, Japan time.

PARCO CO., LTD.
By: Dai-Ichi Kangyo Trust Company of New York as Disbursement Agent

22nd May, 1992

LEGAL NOTICES

Notice of Creditors meeting under Section 48(2) of the Insolvency Act 1986
Registered No: 1790500.
Registered in England and Wales
M.M Consultants Limited
In Receivership

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at: The Post House Hotel, Herbert Walker Avenue, Southampton on Thursday 4 June 1992, at 10.30 am. for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, appoint a committee. A proxy form is enclosed herewith. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:
(a) they have delivered to us at the address shown below, no later than 1200 hours on Wednesday 3 June 1992, written details of the debts they claim to be due to them from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.
Dated this 11 May 1992.
A P Whalley Joint Administrative Receiver Cork Gully 5 Town Quay Southampton SO9 1ZG.

Notice to Creditors to send claims
The Insolvency Act 1986
BELLINGHAM & EPSTEIN LIMITED
NOTICE IS HEREBY GIVEN that, the creditors of the above named company are required on or before the 5th day of June 1992 to send their names and address and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to J C M Bishop of CORK GULLY, at Shelley House, 3 Noble Street, London EC2V 7DQ, the Liquidator of the said company, and, if so required by notice in writing from the said Liquidator, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 15th day of May 1992
J C M Bishop, Liquidator

Notice to the Creditors to send claims. The Insolvency Act 1986.
LONGSTAFF AND SHAW LIMITED
NOTICE IS HEREBY GIVEN that, the creditors of the above named company are required on or before the 31 day of May 1992 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to R W Cork and A R Stanway of CORK GULLY at Shelley House, 3 Noble Street, London EC2V 7DQ, the Joint Liquidators of the said company, and, if so required by notice in writing from the said Joint Liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 5th day of May 1992
A R Stanway, Joint Liquidator of Longstaff and Shaw Limited

FT LAW REPORTS

Travel case will be heard in Egypt

HAMED EL CHIATY & CO v THOMAS COOK GROUP LTD
Queen's Bench Division (Commercial Court): Mr Justice Hirst: May 5 1992

A WRITTEN contract expressed *to be governed* by a foreign law but silent as to jurisdiction, may be treated as rectified for the purposes of *the action in any Division of* the High Court on the application of the plaintiff or the defendant, if there was prior *oral agreement* between the parties that the foreign court should have exclusive jurisdiction to hear disputes and they mistakenly believed that the express wording as to the governing law achieved that effect.

Mr Justice Hirst so held when staying three actions by Hamed El Chiaty & Co, trading as Travco Nile Cruise Lines (Travco), against *Thomas Cook* Group Ltd, on claims arising under agreements for charter of the Nile Rhapsody.

HIS LORDSHIP said Travco was an Egyptian tourist company specialising in Nile cruises. Thomas Cook was an English travel company.

Under a project originating towards the end of 1987, Thomas Cook was to help finance the construction of Nile Rhapsody by Travco, and then charter her from Travco for use on package tours.

Thomas Cook guaranteed a stipulated minimum of passengers for each trip.

Written contracts were drawn up. They provided that "this agreement shall be governed by Egyptian law", but were silent as to jurisdiction.

Thomas Cook's case, strongly denied by Travco, was that in 1988 it was agreed that the contracts would be subject to Egyptian law *and* to the exclusive jurisdiction of Egyptian courts.

It said it could rely on the principle in *El Amria [1981] 2 Lloyd's Rep 119* that the court would generally enforce such an agreement unless the plaintiffs could show a strong reason for not doing so.

Its second line of attack was that it was entitled to a stay on the *basis of forum non conveniens* on the principles in *Spiliada [1987] AC 460.*

The consequence of establishing the Egyptian *jurisdiction agreement* would be a shift in burden of proof in favour of Thomas Cook.

Iraq invaded Kuwait on August 2 1990. The ensuing crisis engulfed the tourist trade in Egypt and throughout the Middle East. Thomas Cook failed to fulfil its guarantees. On February 4 1991, the British Foreign and Commonwealth Office advised people not to travel to Egypt without strong reason. On February 25, Thomas Cook purported to invoke *force majeure*, and that was re-iterated in March.

On the evidence, the court found that in January 1988 the parties agreed orally that disputes should be subject exclusively to Egyptian law and Egyptian jurisdiction, and that they thought (wrongly) that the clause inserted in the contract had that effect.

Snell's Equity 29th Edition 1990, page 626, having noted that rectification claims were *assigned to the Chancery Division*, stated that "any Division may give effect to a defence of rectification as regards transactions without actually rectifying the instrument".

In *Mostyn (1876) 1 CPD 145,150*, the Court of Common Pleas held that if a defendant in that Division set up facts which in the Chancery Division would entitle him to have an instrument reformed or set aside, "though this Division cannot reform or set it aside with regard to its effect in future it may, for the purpose of determining the action, treat it as set aside".

In *Breslauer v Barwick (1876 36 LT 53)*, the same court applied *Mostyn* and treated a charterparty as if a mistake as to the plaintiff's identity were amended, since "facts were shown as would cause the Chancery Division to reform it".

Both cases were of general application.

The statement in *Snell* was accurate, subject only to the qualification that, having regard to *Breslauer*, a plaintiff as well as a defendant was entitled to invoke the power.

As to whether the Chancery *Division would have* made a rectification order, there must be "convincing proof" that there was a prior agreement, *that it was still effective* when the relevant instrument was executed, that by mistake the instrument failed to carry out *that agreement, and that if* rectified as claimed, the instrument would carry out the agreement *(Snell 628-632; Joscelyne v Nissen [1970] 2 QB 86).*

There was convincing proof of all four aspects. In the exercise of its discretion, the court would treat the contracts as rectified, so that "this agreement shall be governed by English law" read as "this agreement shall be governed by Egyptian law and all disputes hereunder shall be referred to the exclusive jurisdiction of Egyptian courts".

Thomas Cook was entitled to invoke the *El Amria* test. That was sufficient to dispose of the summonses in its favour.

The *Spiliada* tests laid down by Lord Goff were that a stay would only be granted on the ground of *forum non conveniens* "where the court is satisfied that there is some other available forum, having competent jurisdiction, which is the appropriate forum for trial of *the action, ie, in which the* case may be tried more suitably for the interests of all the parties and the ends of justice".

In applying the first test, the correct approach was to consider which country was the natural forum.

On the second test, the key factor was whether the plaintiffs could establish that they would not obtain justice in the foreign jurisdiction.

As to the first test, the fact that a contract was governed by foreign law was highly material – not only because a foreign court was obviously best fitted to adjudicate on its own law, but also because it avoided the expense of bringing expert witnesses to the UK to debate foreign law issues.

In the present case substantial points of legal principle were at stake.

Egypt had a modern civil code system, modelled mainly on French law. Other sources of law included custom, Islamic law, natural law and equity.

It was not a case in which English courts would be applying familiar principles.

On nearly all the Egyptian law *issues*, there was *almost* total disagreement between the expert witnesses.

Force majeure was a very important potential defence. The experts disagreed as to the relevant provisions of the Egyptian Civil Code. The legal questions were *pre-eminently* more suitable for decision in Egypt than in the UK.

Thomas Cook understandably found it necessary to lead evidence from Egypt as to the general effect of the Kuwait crisis and Gulf War on tourism there.

In relation to Egyptian law and to Egyptian evidence, the *force majeure* issue pointed very strongly in favour of Egypt.

As to damages, there was dispute between the experts. One said damages would be *assessed on a net loss of profit* basis. The other said parties might fix damages in advance.

So far as evidence was concerned, *Thomas Cook would* need to scrutinise Travco's accounts (partly in Arabic) and to call crew members of Travco's vessels and suppliers of services on the Nile.

It followed that in relation to Egyptian law and evidence the damages issue pointed very strongly in favour of Egypt.

The court was satisfied that the evidence as a whole pointed overwhelmingly in favour of Egypt as the natural forum, since the actions had their most real and substantial connection with Egypt. Egypt was another available forum with competent jurisdiction which was clearly and distinctly the appropriate forum for trial of the actions. Thomas Cook had satisfied the first *Spiliada* test.

As to the second test, the burden was on Travco to show juridical disadvantage. It relied on delay, interest and costs.

In respect of costs, which were not recoverable in Egypt, and to a small extent in respect of delay and interest, Travco would suffer juridical disadvantages if the action was stayed in England.

That fell far short of establishing that Travco would be deprived of substantial justice if the UK actions were stayed and trial took place in Egypt.

Justice did not require that a stay should not be granted. Travco failed under the second *Spiliada* test.

The actions were stayed.

For Thomas Cook: Charles Haddon-Cave (Field Fisher Waterhouse).

For Travco: Jonathan Gaisman (Linklaters & Paines).

Rachel Davies

Barrister

PEOPLE

Banker turned housebuilder

Richard Andrew, a former executive director of Scandinavian Bank in the UK, has been appointed chairman and chief executive of Wimpey's housebuilding division. He also becomes a director of George Wimpey, Britain's second largest housebuilder.

It is unusual for a housebuilding company to appoint a chief executive from outside the construction industry, but as Joe Dwyer, Wimpey's group chief executive, explains: "Richard Andrew will bring appropriate financial experience to an area where asset management is the key to profitability and success."

The decision to appoint a banker reflects Wimpey's view that Britain's entry into the EMS will change the way in which the UK housing market has traditionally operated and will make financial skills more important.

Andrew, 47, was formerly director responsible for strategic planning and international business for the bank. In 1987 he was appointed chairman of The Private Capital Group, a personal financial services subsidiary.

■ Young he may be, at 43, but **Neil Johnson** will bring a lot of long-term insight into the UK industrial scene when he takes up the post of ENGINEERING EMPLOYERS' FEDERATION director-general in July.

The Cardiff and Sandhurst-educated Johnson has been witness to nearly 20 years of transformation in UK engineering, from what at times has been one of its most changeable and uncomfortable vantage points: Rover Group, née British Leyland, née BLMC, née British Motor Corporation.

After serving as a graduate trainee with Lex Service, Johnson joined BLMC in 1974.

In the course of seven years, in a variety of capacities, he watched at close quarters as appalling labour relations, productivity and other problems took Britain's biggest carmaker to the brink; and as one of Sir Michael Edwardes' corporate strategists helped tentatively pull it back again.

He acquired another perspective from helping to package Jaguar for privatisation after joining it as sales and marketing director in 1981.

Post-Jaguar's privatisation, "soldiering on" for Johnson assumed literal meaning - he took a three-year secondment to the Ministry of Defence, commanding the 4th Battalion, Royal Green Jackets, before returning to Rover as sales and service director for Land Rover Worldwide. Currently he is Rover Group's director of European Operations.

An affable father of three, as full-time EEF chief executive, Johnson will be expected to lead from the front in further developing the federation's representational ties, both with the UK government and, increasingly, EC institutions.

■ **Richard Maudsley**, md of NEI Parsons since 1985, has been appointed md of NORTHERN ENGINEERING INDUSTRIES, part of Rolls-Royce Industrial Power Group. An engineering graduate, he began his career with NEI Peebles in Edinburgh in 1969.

■ **Elizabeth Forsyth** has been appointed as director and company secretary of Pearson *Sterling Finance on the* promotion of Anette Lawless to become company secretary of PEARSON, on the retirement of Gerald Collett. Anette Lawless remains a director of Pearson Sterling Finance.

■ **Nicki Hill**, advertisement director of The Observer, has been appointed sales director of SOUTHERN RADIO.

■ **John Cooling** has been appointed director with responsibility for corporate development of GOODHEAD GROUP.

■ ***David Bremner***, *a director* of B&Q, has been appointed group md of WATSON & PHILIP.

Founder leaves Markheath

Paul Bobroff has stepped down as managing director of Markheath, the loss-making property company 60 per cent owned by the Australian-Adelaide Steamship Group.

The resignation of Bobroff, 40, who founded the group in the early 1970s, was "mutually agreed" with the rest of the board. His departure marks a change in direction for the company, which is returning to its core business of property investment and development.

In recent years, Bobroff had tried to diversify by taking a stake in Camford Engineering, a motor components company which has since been sold, and in Frogmore, a property investment company. However, the plan to create a diversified group was interrupted by the property recession and the retrenchment of the parent company, which underwent a debt restructuring.

In a statement to the stock exchange, the company explained Bobroff's resignation as: "*In the present circumstances of the UK property* market, there is restricted opportunity for someone whose main interests are in creating and executing corporate transactions."

Instead of appointing a new managing director, the board will report to Michael Rendle, the chairman, who is a former managing director of British Petroleum, and Richard Westcott, a non-executive director.

■ **Peter Popper** has been appointed md of the design and management service company of HIGGS AND HILL.

■ **John Springate** has been appointed md of MAUNSELL PB, jointly owned by Maunsell and Parsons Brinckerhoff International. Most recently a director of Kennedy Henderson,he was seconded to TML while with Balfour Beatty.

■ **Richard Goutcher** has been appointed director of specialised works at MANSELL; he moves from Mark Fitzpatrick.

■ **James Gandy** and **Philip Pawley** have been appointed to the board of GROSVENOR SQUARE PROPERTIES.

Non-executive directors

■ **Heinz Hebestreit** and **Edward Langley** have resigned from W CANNING.

■ **Vivian Thomas**, retired ceo of BP Oil UK, at SOUTHERN WATER.

■ **Sir Charles Powell** at TIPHOOK.

■ **The Rt Hon Sir Edmund Dell**, **Sir David Orr** and **Sir Michael Palliser** have retired from SHELL TRANSPORT AND TRADING.

■ ***Thomas* Sykes** has retired from the CO-OPERATIVE BANK.

■ **Vince Wilson**, deputy chair*man of* TOMORROW'S LEISURE, has retired because of ill health.

■ **Ray Way**, chairman of Sykes-Pickavant, at HAMPSON INDUSTRIES.

■ **Ian MacLellan**, group md of Ibstock Johnsen, at HIGGS AND HILL.

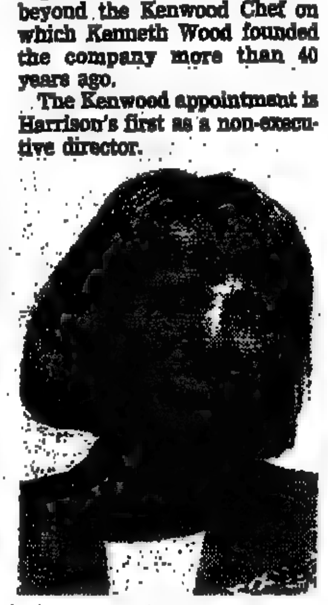
■ **Fiona Harrison** (below), chief executive of the Jaeger Group, is to become a non-executive director of Kenwood Appliances, maker of the famous kitchen gadget, which is due to come to the market through a public float next month.

Harrison, 41, is in charge of Coats Viyella's fashion retail division which includes Jaeger ladies and menswear and *Viyella ladieswear.*

Before joining Coats, Harrison was vice-president at Clairol Inc, a division of Bristol *Myers of the US, where she* was in charge of international sales of electrical appliances.

Since the management *buy-out from* Thorn EMI in 1989, Kenwood has greatly expanded its product range beyond the Kenwood Chef on which Kenneth Wood founded the company more than 40 years ago.

The Kenwood appointment is Harrison's first as a non-executive director.



Richard III

Richard Eyre's production of the bloody tragedy is back again at the National, before it tours America. No doubt the Minnesota audience will find it as impressive as Londoners have done; but they will find it a longer sit, too, for they are going to miss a great many lines.

Not because the text is badly spoken; indeed it is very well spoken – but also, deliberately, "well-spoken" in the classy modern-English sense. Across the Atlantic, those squeezed vowels and juiceless consonants (as affected by certain upper-middle circles, J. Arthur Rank actors and theatrical knights) will cry out for surtitles. It is an under-remarked fact that whereas "good" French, Italian or Spanish is distinguished by its clarity, "good" British English has the phonetic marks of a rancid provincial dialect.

Eyre wanted those voices because his *Richard* is set criti*cally in the England of some 50* years ago. That was when Brecht was raiding Shakespeare's play for his Hitler-play, *The Resistible Rise of Arturo Ui*; Eyre repays the compliment by rendering the original as if it *were* the "Ui" story. Where Brecht fingered German industrialists and aristos as the collaborators who smoothed Ui/Hitler's path, Eyre presents Richard's partners and victims as the modern Establishment who *might* have let Fascism into Britain.

In the black spaces and the stark industrial lighting devised by Bob Crowley and Jean Kalman, it makes a terrific show. There are losses, but one almost forgets them in the dazzling glare of Ian McKellen's star Richard, crisply supported by a large and skilful team. Here, Richard's differently-abledness takes the form of galloping alopecia and stiff left limbs, compensated by a prehensile right hand that does tricks no less hypnotically fascinating than Antony Sher's famous spider-crutches. McKellen's demise is extended into one-legged ballet of a rare virtuoso order.

This Richard in his time plays many parts, starting with the grim, self-regarding *persona* of some Second World War Generalissimo – rendered with such fruity gruffness that even from the fifth row I had to fill in some lines from memory. Little by little, the tics and twitches begin to seem generated from some desperate inner stress. Where Olivier wielded a monstrous glamour and played teasingly with his various prey, McKellen offers a brilliant solo study: it exerts an implacable grip, but reduces the other characters to abject, terrorised victims.

They do what they can, but until the interval the audience responded to all their griefs as to black comedy. We were intrigued, not moved. There was no perverse erotic spark in Richard's wooing of Lady Anne (Anastasia Hille), and for Buckingham the prescribed Establishment mutter dampened Terence Rigby's solid, wary grandee. Only later, when the royal ladies went splendidly into passionate-denunciation mode, did we begin to feel for the losers. On the final scenes, Peter Darling's Richmond who will be Henry VII – bestows a dewy sitcom sweetness that shifts the action fast-forward into the 1980s.

David Murray

Lyttelton Theatre, to May 26

Vienna Festival/**Jackie Wullschlager**

Avant-garde ball for Cinderella

The great, the good and the frankly pretentions from the theatrical avant-garde have descended on Vienna in equal measure this year. As Europe's showcase for radical drama, the Festwochen lays down no rigid themes, but over the days connections emerge: this time an emphasis on classic archetypes, from fairy tale to Shakespeare, controversially updated.

The hot news from week one is that the new English production *Cinderella*, adapted by Tony Britten and Nick Broadhurst from Rossini's *La Cenerentola*, is star of the show and one of the most dazzling examples of contemporary revision which, through images drawn from our own social reality – the Ferrari, Essex Man – revitalises the essential myths love and forgiveness, power and control, survival – of the original.

Britten and Broadhurst are founders of Music Theatre London, the opera ensemble which casts actors and singers, rather than opera singers, in witty new translations of opera-drama. Their *Cinderella* opening out-shocks Opera Factory's 1980s *bikini Così fan tutte*: The ugly sisters, played *i travesti* by Simon Butteriss in a butch pink swimsuit and by William Renton in a froth of petticoats, lounge on the diving board of a pool and swap transvestite fantasies about Prince Ramiro's ball. Cinders flames the plastic red barbecue and fixes the sunshades on the Costa-del-Basildon villa guarded by a *life-size ceramic Rottweiler*.

Dad, Don Magnifico, is Essex Man, floral braces, gold pyjamas, east London accent intact ("who was that bimbo who turned up?" he asks at *the ball*), *boastful/deferential in his* philistine sneering. In Tim Hardy's parody, comic yet menacing, the violence to Cinderella clearly stems from his own repression.

His opposite is philosopher Alidoro, Oxbridge charmer (Kevin Colson), who offers himself as alternative father. Freudian implications, the girl's longing for her unattainable father, are thus embodied: Alidoro the ideal, Don Magnifico the monster.

Interwoven is class warfare. Social disguise is the key in both Perrault and Rossini, where Ramiro swaps roles with his valet. Here Dandini (Harry Burton) is the chauffeur rigged up as HRH in a kilt, attended by tartanned royals. Ramiro (soprano Gaynor Miles), the "choufleur d'amour" pondering his/her sexuality completes a kinky pantomime trio: the *i travesti* roles bring out sexual as well as social undercurrents.

It is romance within a post-Thatcherite parable of the rise and fall of the self-made man. Flimsy as his Cindy-doll-by-the-pool home, Don *Magnifico has no chance once pitted* against the royals (his "get yer arses down ere" evokes another classic English social satire, Eliza at the races in My Fair Lady). Revealed as a bankrupt, he is saved from repossession by Old Money when Cinderella, in a stream of quicksilver lyricism from Jan Hartley Morris, marries her prince.

With *an onstage orchestra of eight* jazzing up Rossini, this is a vintage 1990s show, set in a broken golden arch it blazes with deconstructionist wit; Alidoro, a Prospero-Zarusthro figure, *fashions* paper hearts during the love duets and remote controls a toy Ferrari, driven by models of Ramiro and Dandini, across the stage to precipitate the denouement. The libretto/dialogue, sarcastic and slangy ("you watch your lips now/ just get a grip now"; "Am I dreaming? am I hell?/It's a setback, not an ending") is matched by yuppie slap*stick – poolside dunkings*, petticoats singed on the barbecue – and high camp hi jinks, and acted to the hilt by this talented young company.

If *Cinderella* has "British class obsession" stamped all over it, Katharina Thalbach's *Macbeth* is a quintessential Berlin export: a Brechtian interpretation which turns Shakespearean tragedy on its head and makes of the bloody male world of Macbeth a feminist triumph.

Malcolm Rutherford saluted this production when it briefly visited London this winter, and I add my voice to his. With its grim illustration that power corrupts, Macbeth has of course the perfect Brechtian plot. Thalbach despatches the soldier-monarch in just over two shrill and breathless hours during which *Marcus Vollenklee triples in size* from hen-pecked weakling to a bloated, parody of kinghood. Gone are the long speeches, the philosophising: this is a Macbeth action-packed as a cartoon strip, bright with caricature and expressionist display. Thus when Guntbert Warns plays Duncan as a pastiche of Bernard Minetti, the 86-year-old Berlin actor who had his debut with Max Reinhardt in the 1920s, Thalbach is *making a theatrical joke which later* turns into a neat political point: the same actor, as Macduff, discovers Duncan's corpse – friend and foe, survivor or victim, are equally ridiculous in the game of war and heroics.

"Fair is foul and foul is fair", the witches scrawl on a wall. They are recast here as a cross between *The Threepenny Opera's* Tart-without-a-heart Jenny and Brecht's streetwise pacifist *Mother Courage*. They dance, hang above the stage on ropes like seductive spiders, then pamper Macbeth as in a brothel. Their dance of death is at once a showpiece and the last word: "We don't need a new master, we don't need one at all", they chant in an almost exact quotation from Brecht's *die Rundkopfe und die Spitzkopfe*.

Thalbach is an *entertainer* with the technical imagination to channel her subversive message into a coherent masterpiece of staging. At the other extreme of Shakespearean innovation, Vienna has Romeo Castellucci's *Amleto*, which with a cast of one plus a chorus of stuffed toys offers a futuristic Hamlet set in a man-size circuit board of tangled wires and flashing lights. I cannot report on the language of the production because, between electric shocks and toy pistol shots, Paolo Tonti stutters like an autistic Christopher Robin through a text where not one word is fully uttered. His father's ghost is a teddy bear, Gertrude is a kangaroo and Ophelia a wind-up doll.

This is not a *Spitting Image* joke but a two-hour performance deadly *serious, mightily pleased with its* own metaphors of non-communication, and achingly dull. Heiner Muller's *Hamlet Machine* did this sort of thing properly at last year's Berlin *festival*; can the Festwochen organisers really not distinguish between copycat gibberish and original vital reworkings? Two further redrawn classics are to come to Vienna in *June: Bruno Moderna's composition Hyperion*, after Holderlin, and Needcompany's *Antony and Cleopatra*. On this showing, they will be either brilliant or beastly.

'Cinderella' is sponsored by Mobil; the Festival continues until June 4

The hottest show in town: Music Theatre London's production of 'Cinderella', a dazzling example of contemporary revision

British opera revivals

Boris Godunov and The Return of Ulysses

Opera North's staging of *Boris Godunov*, first seen in 1989, has returned with its glories preserved. Ian Judge's production has been carefully revived by Jonathan Alver; John Tomlinson is again resplendent in the title role. It remains a brutally direct, intense account, given razor-sharp focus by the use of Musorgsky's original 1869 version of the opera – just seven scenes lasting barely two and a half hours, and each rendered as a vivid snapshot in a thrilling chronicle of Russian history.

Inevitably one regrets the loss along the way of some of the material Musorgsky added in his subsequent attempts to make his creation more politically and operatically acceptable – no Polish act, no character numbers in the nursery scene. But there is no doubting the dramatic urgency of the original scheme, or that the narrative thrust of the work emerges more clearly – the two protagonists of *Boris Godunov*, it reminds us, are the tsar himself and the Russian people. It is those two components which the Opera North account catches so excitingly.

The Coronation scene, the second panel in this particular pageant, finally set Wednesday's performance ablaze and began to exert the dramatic grip which never slackened afterwards. The opening at the monastery had been slow to come to life; in the opening exchanges too co-ordination between stage and pit was sometimes approximate. But then Paul Daniel's conducting gained pungency and attack, Tomlinson's first phrases as Boris compelled attention, and the chorus began to direct its intensity out into the auditorium.

Each of the subsequent scenes contains beautifully crafted, intelligently thought-out performances – grave, articulate Pimen from Matthew Best, never at all histrionic; nimble, clear-toned Grigory from Paul Charles Clarke; an inn scene stacked with cartoon grotesques and headed by Andrew Shore's larger-than-life Varlaam and Ann Howard's eye-rolling Innkeeper. Jeffrey Lawton's Shuisky is beautifully fluent, insidiously crafty, Mark Curtis's Simpleton is uncomplicatedly affecting. Ann Taylor-Morly's Feodor and Melanie Armitstead's Xenia are attractive, not at all caricatured.

Most of all there is Tomlinson, in wonderful clarion voice, making sure every word carries through the theatre and wringing every last drop of theatricality from his haunted visions. It is a masterly portrayal, the true focus of this compelling production.

Andrew Clements

English National Opera has revived its 1989 *Return of Ulysses*, which thus completes the trilogy of Monteverdi stagings by David Freeman seen in London over the past two months. In 1989 this struck me as one of the most heartfelt, powerful and boldly immediate of British Monteverdi productions in living memory.

Its return aroused excited expectation, which on Wednesday was let down by plodding, lumpily inexpert musical direction, and by the second-rate quality of much of the singing. In Monteverdi, staging counts for much – and Freeman's richly dramatised ensemble vision, at once ancient and modern, warmly Levantine in its textures, still achieves one of his most imaginatively expansive and fine-grained pieces of operatic theatre – but singing counts for no less.

Most of the cast come new to their roles; many of them must be reckoned simply inadequate Monteverdi singers, at least for a house of Coliseum size. Among the gods and suitors a number of coarse-toned basses and strident or cloudy mezzos smirched the picaresque enchantment of every scene in which they appeared. The feebleness of the Minerva was a particular hardship; the original performer had been Sally Burgess, gleaming with wit and vocal lustre, and she was badly missed.

Still, not all is gloom. The old shepherd Eumaeus, one of the most wonderful smaller roles in this wonderfully well-supplied opera, is taken now by Neil Jenkins; he is a commanding Monteverdian (I remember with undimmed admiration his Kent Opera Ulysses in the late 1970s), and his focussed energy and disciplined passion light up the stage.

Paul Nilon's Telemachus is dry-toned but eloquent, Adrian Thompson's "paunchy cavalier" Irus gruesomely fascinating, Michael Chance's countertenor Amphinomous a ray of elegance amid the encircling vocal murk.

And for Anthony Rolfe Johnson in the title role and Jean Rigby as Penelope – the 1989 leading couple, thankfully restored to the revival – no praise can be too high. Both sink their beautiful voices and strong theatrical personalities even more deeply into their roles than first time round; more than ever, the dark, achingly sad beauty of Miss Rigby's low-register plaints and the physical and vocal thrill of Mr Rolfe Johnson's extraordinary stage magnetism provide the show's most arresting and powerful rewards.

Max Loppert

Boris Godunov, Theatre Royal, Nottingham; further performance May 28. Touring to Sheffield, Manchester and Leeds. Sponsored by Nottinghamshire County Council.

The Return of Ulysses, sponsored by The Mercers' Company; in repertory at the Coliseum until June 19.

Jazz/**Garry Booth**

Bheki Mseleku

South African born pianist Bheki Mseleku is an absorbing and absorbed musician who has attracted a good deal of praise on tour in the UK this year. Rightly so: although his playing skirts the fashionable "world music" tag attached to so many other black South African expatriates, he nevertheless brings a new un-American dimension to swinging post-bop lines.

Having started out with other South African luminaries – Hugh Masekela, Johnny Dyani and Chris MacGregor – it took the attention of New York's M-Basers and an adventurous new record label to bring Mseleku out in his own right. Marvin "Smitty" Smith, the collective's drummer, spotted Mseleku upstairs at Ronnie Scott's and wound up collaborating on the 37 year old's debut album, *Celebration* (World Circuit WC 028). It was Smith, along with fellow Americans Charnett Moffatt (upright bass) and Jean Toussaint (tenor), and English flautist Eddie Parker who joined him on the South Bank.

Showcasing a selection of *Mseleku compositions from the* album (which also features saxophonists Courtney Pine and Steve Williamson as well as American bassist Michael Bowie), the quintet swung through soulful pieces like "Angola", Bheki scatting absent-mindedly, before reverting to the piano trio format and a lip-curling slap bass solo from Moffatt. A thoughtful and sensitive improviser whose volume balance sometimes suffers as a result of his self-contained musing, Mseleku also has the Horace Silver touch for pushing his sidemen along with carefully placed ringing blue notes – in "Blues for Africa" for example.

The South African's talent cannot miss with this line-up, of course. Moffatt and Smith make for a jumping rhythm section and Parker's (much under-used) virtuosity on two flutes add a delicate edge to Mseleku's rich writing. Ex-Jazz Messenger Toussaint, whose taut tenor parts in "Monk's Move" had the leader bouncing off his stool, is another World Circuit artist with a new album, *What goes around* (WC 029), well worth investigating.

If the holy trinity of jazz is the swinging and sensitive piano trio, Mseleku extends *and strengthens the tradition*. Add to the African tinged soulfulness reeds and flute and you have a quintet for the Nineties.

INTERNATIONAL

ARTS PREVIEW

& EXHIBITIONS

The Paris music season comes to an exciting close over the next six weeks, with the Barenboim-Chéreau production of Wozzeck, John Eliot Gardiner conducting Cosi fan tutte and Marek Janowski rounding off his cycle of Bruckner symphonies.

There will be six performances of Wozzeck at the Châtelet starting on June 3, with another run next March. The production, part of the fall-out from Barenboim's break with the Bastille three years ago, dwarfs the humdrum programme which Bastille audiences have had to put up with this season. The cast includes Franz Grundheber, *Waltraud Meier and Graham* Clark (tel 4028 2840).

The Châtelet then moves on to Gardiner's latest Mozart project, for which he will be both *conductor and stage director*. The young cast for Cosi includes Amanda Roocroft, Rodney Gilfry and Eirian James, with the English Baroque Soloists and Monetverdi Choir (five performances, starting June 26).

Janowski appears to have found a new audience for Bruckner in Paris, judging by his well-received concerts so far this season with the Orchestre Philharmonique de Radio France. Three of the biggest symphonies have been kept to the end of the cycle: the Sixth comes on June 12, the Fifth on June 19 and the *Eighth* on June 26, all at the Bastille (4473 1300).

Salzburg's Whitsun concerts will take place as planned early *next month, thanks only to a* massive last-minute injection of funds by Eliette von Karajan. Even Salzburg's inflated ticket prices could not on their own be expected to cover the $750,000 cost of flying the Chicago Symphony Orchestra over to Europe for just three concerts (June 6, 7, 8), to be conducted by Barenboim and Solti.

A different source of funding will have to be found in future *if one more Salzburg tradition* started by the late Herbert von Karajan is not to bite the dust (tel 662-841307 fax 840124).

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Sculpture and drawings by Frantisek *Lesak, based on Monet's* comment 'I only paint what I see'. Ends June 28. Also Prints by 19th century Japanese artist Yoshitoshi. Ends June 28. Masters from the Mesdag Collection: 60 works from the Hague and Barbizon schools. Ends Aug 19. Daily

BERLIN

Haus der Kulturen der Welt Civilisation of ancient Peru: 400 objects covering 3000 years of art, including gold jewellery, ceramics, wood and stone sculptures. The exhibition shows the remarkable development *of Peruvian art before the arrival* of Europeans. Ends Aug 30. Closed Mon

Antikensammlung The Fame of the Pantheon: 100 engravings *and etchings of Rome's great* architectural monument, showing how its colossal and mystical features have fascinated and influenced artists and architects *over the centuries*. Ends Aug 16. Closed Fri

Martin-Gropius-Bau Paris: Les Grands Projets. Models, pictures and architectural drawings of *the major building projects* undertaken in the French capital over the past ten years, including the Louvre pyramid and Opéra Bastille. Ends June 28. Closed Mon

Schloss Charlottenburg Palace of the Gods: 1500 years of Indian art. Ends June 28. Closed Mon

BONN

Rheinisches Landesmuseum Turner's Rivers of Europe: an exhibition originally mounted by London's Tate Gallery, *tracing Turner's tours to the Low* Countries, and including sketchbooks and colour studies newly identified and dated by Cecilia Powell. Ends July 5. Closed Mon

Frauenmuseum Far Horizons: nine contemporary artists from Finland. Ends Aug 17. Closed Mon

DARMSTADT

Hessisches Landesmuseum Rembrandt's etchings: 100 examples from the years 1629-1653, including landscapes, self-portraits and biblical images. Ends June 21. Closed *Mon*

FRANKFURT

Museum für Völkerkunde Gold from Mali: a study of traditional jewellery from the town of Mopti *on the Niger. Also an exhibition* showing how traditional non-European societies measure the value of goods as an alternative form of exchange *to money. Closed Mon*

Städel Max Klinger (1857-1920): sculptures, paintings and drawings by the flamboyant German fin-de-siècle master of grandiose kitsch. Ends June 7. Daily

GHENT

Museum voor Sierkunst Silver of a New Era: the development of precious metalwork from 1880 to 1940, with 250 exhibits embracing the English arts and crafts movement, Art Nouveau and Bauhaus functionalism. Ends July 27. Closed Mon

LAUSANNE

Fondation de l'Hermitage Odilon Redon (1840-1916): 200 works by the French Symbolist painter whom the Surrealists regarded as one of the precursors of their movement. Ends Sep 21. Closed Mon

LONDON

Hayward Gallery Magritte: 150 paintings, collages, sculptures and surrealist objects by the Belgian artist now acknowledged as a central figure in 20th century art. Advance booking on 071-928 8800. Ends Aug 2. Daily

Tate Gallery William Blake (1757-1827): the apprentice years. Ends Aug 16. Also David *Hockney: Seven Paintings. Ends* July 26. Brice Marden (b1938) American painter-engraver. Ends June 21. Daily

Accademia Italiana *Rediscovering Pompeii. Advance* booking on 071-379 4444. Ends June 21. Daily

NEW YORK

Metropolitan Museum of Art *Korean Ceramics from the Ataka* Collection: 114 exquisite works surveying the full flowering of Korea's ceramic tradition from the 10th to 19th centuries. The exhibition is drawn from the world's biggest collection of Korean ceramics, formed from 1951 by Japanese industrialist Eiichi Ataka and donated to the city of Osaka in 1975 after Ataka's bankruptcy. This is the first time these outstanding glazed ceramics and porcelain celadons have been shown outside Japan. Ends July 12. Also Andrea Mantegna. Ends July 12. William Harnett, late 19th century American master of still-life painting. Ends June 14. Royal Art of Benin. Ends Sep 13. Closed Mon

Frick Collection An Album of 19th century Interiors: watercolours from two private collections, illustrating domestic interiors of diverse social classes, from an emperor's bedroom in Portugal to the bedroom of a Russian dacha. One of the albums was compiled for the Wittgenstein family, documenting almost a decade of princely travel from house to house. Ends Aug 23

PARIS

Galerie Schmit *French Masters* of the 19th and 20th centuries: this prestigious yearly show boasts among its exhibits a poetical Balthus landscape, a *Courbet portrait of his father* and a fauve woman's head by Derain. Ends July 16. Closed Sun

Grand Palais The Vikings. Ends July 12. *Toulouse-Lautrec*. Ends June 1. Closed Tues, late opening Wed

Musée d'Art Moderne Sima (1891-1971), Czech painter. Ends June 21. Closed Mon, late closing on Wed

Galerie Didier Imbert Henry Moore Intime. Ends July 24. Closed Sun

Musée D'Orsay Guimard (1867-1942), art nouveau designer. Ends July 26. Closed Mon

Louvre Clodion, 18th century French sculptor. Ends June 29. Closed Tues

STUTTGART

Neue Staatsgalerie Kandinsky: 180 watercolours and drawings from all periods in the artist's life, including many lent by private collectors. Ends Aug 2. Closed Mon

WASHINGTON

National Gallery of Art Art of the American Indian Frontier: 150 objects from the unparalleled Chandler and Pohrt collection, including decorative, utilitarian and ceremonial objects produced by Woodland and Plains Indians in the 19th century. Ends Jan 24. Dürer to Diebenkorn: 114 recent graphic art acquisitions by Holbein, Goya, Gainsborough, Caspar David Friedrich and others. Also Käthe Kollwitz (1867-1945). Ends Aug 16. Ernst Ludwig Kirchner, *German expressionist painter*. Ends Aug 16. Jacques Callot, early 17th century French printmaker. Ends Sep 7. Daily

Hirshorn Museum Thomas Struth: *Museum Photographs*. 15 large colour photographs documenting the interaction between museum visitors and Old Master paintings. Ends Aug 16. Daily

ZURICH

Kunsthaus The pictorial world of Brazil: the European quest for an earthly paradise and modern Brazilian art. An exhibition showing the variety, power and development of Brazilian art from the 16th century to the present. Ends Aug 16. Closed Mon

Museum Rietberg Buddha and Shiva: Buddhist and Hindu masterworks from Sri Lankan museums. The exhibition consists of 52 objects dating from the sixth to the 12th centuries. Ends Sep 13

FINANCIAL TIMES
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Friday May 22 1992

Cleaning up the farmyard

THE spectacle of European Community farm ministers on the point of yet another stab at reforming the Common Agricultural Policy is never edifying. Bleary-eyed from all-night negotiations, they still manage to summon up energy for the struggle over concessions with which to soften the impact of any deal on their own country's farmers. The result, invariably, is a mess.

So it was in Brussels yesterday. It remains profoundly unclear whether the reform deal which the farm council struck last night – after ridiculous last-minute blocking tactics by an Italian government that does not exist – will succeed in breaking the deadlock over agriculture in the Uruguay round of world trade talks. It is likewise moot whether ministers, in modifying the original blueprint for reform produced by Mr Ray MacSharry, the farm commissioner, have undermined some of its better intentions.

Yet there is reason to give at least one and a half cheers to yesterday's accord. In accepting cuts in guaranteed prices of the order of 29 per cent for cereals over four years and shifting the basis of agricultural assistance from price support to direct income supplements, paid to most farmers in return for removing a chunk of their land from production, the farm council is doing much more than tinkering. It is laying the groundwork for transforming the CAP into what it should have been from the outset: a method of supporting farmers that does not turn the principles of world trade completely on their head.

Export subsidies

The reform will bring prices of farm products more closely in line with world levels, and thus reduce the need for wasteful export subsidies. It may make a significant dent in the EC's embarrassing farm surpluses. And if it is pursued relentlessly in the coming months and years, it should erode one of the CAP's more pernicious aspects – its lack of transparency – by curbing the proportion of assistance to farmers paid though indirect taxes on consumers.

True, the transformation is at an early stage, and subject to many questions. The direct income payments, for example, are almost certainly cast too widely. They were originally proposed as a social and environmental subsidy to small farmers: how can ministers justify giving them to the "grain barons" of Norfolk or Schleswig-Holstein as well, in exchange for taking only 15 per cent of their land out of production – a move which will not cut production by as much, and whose effects will eventually be wiped out by advances in productivity? Would it not be better to lower prices further rather than attempt to police the bureaucratic nightmare of "set-aside"? Will income support, rather than simply providing transitional relief to hard-pressed farmers, become a permanent and costly fixture? Importantly for the Gatt talks, will the way ministers have twisted the MacSharry plan mean that EC farm policy still has unacceptable trade-distorting effects?

US response

Understandably, this last question is uppermost in the minds of the EC's American sparring partners. Yet it would be unwise for the US now to stick to an unduly dogmatic position in the Uruguay round. After all, Washington has over the years blamed many agricultural ills on the EC's high internal prices and the large export subsidies the Community pays to bridge the gap with the world market, while conveniently glossing over the trade-distorting deficiency payments it makes to its own farmers. The EC's plan is not just a different way of rigging the market in a business characterised by market-rigging in virtually every part of the globe. The policy agreed yesterday is, in fact, superior to the US system in important respects, since its income supports are not directly related to output as they are in the US.

If recognition of that helps smooth the way to a Gatt agreement encompassing agriculture, then last night's deal will go down as a significant achievement. If the EC now keeps up the momentum for reform – by working to make its food market more open to imports, by intensifying the price pressure on products in surplus, by moving to eliminate set-aside in the long term and by targeting support for farmers more closely on those who need it – it will come to be seen as historic.

Inspecting schools full time

IT IS disconcerting that Professor Stewart Sutherland, appointed last week as Her Majesty's Chief Inspector of Schools in England, intends to combine the post with his current one of vice-chancellor of the University of London. The role of chief inspector was greatly enhanced by this year's Schools Act, which rightly made regular and rigorous school inspections a guarantor of standards and an underpinning for the Parent's Charter. With the devolution of funding and control to head teachers and governors, and the progressive weakening of the tutelage of local education authorities, the inspectorate ought to become the linchpin of the new schools system. Its leadership should not be considered a part-time job.

The Chief Inspector has three demanding tasks in hand. First, he has to launch the new national inspectorate, as yet no more than a page of statute enacted at the tail end of the last parliament in a messy compromise between the House of Lords and the then education secretary. Second, he needs to establish the *modus operandi* of the new inspectoral régime. Third, he must ensure that the inspectors' work gives due attention to school management – and not only to the quality of teaching.

The Schools Act set out to create a semi-privatised inspectorate. The Chief Inspector is to license inspection teams, which may include existing local authority teams (provided they are financially self-supporting); he will seek tenders for each inspection and appoint the inspectors in each case, but the school will foot the bill; and he will retain a small inspection team of his own, which will intervene directly as the chief inspector sees fit. He will also issue an annual report, and may make other public recommendations, without the prior consent of the education secretary.

Licensing powers

Given the Chief Inspector's powers to license and appoint, the financial link between schools and their inspectors should not cause undue concern. More problematic is the supply of inspectors and the future of local authority inspectorates. Teachers, like all professionals, are wont to believe that only long-serving colleagues possess the requisite understanding needed to judge their performance. Yet of all the professions, there is none of which this is less true than teaching. The Chief Inspector's task is to balance the necessity for inspectors to have a thorough grasp of legal, curricular and financial facets with the attraction of fresh faces.

Talent pool

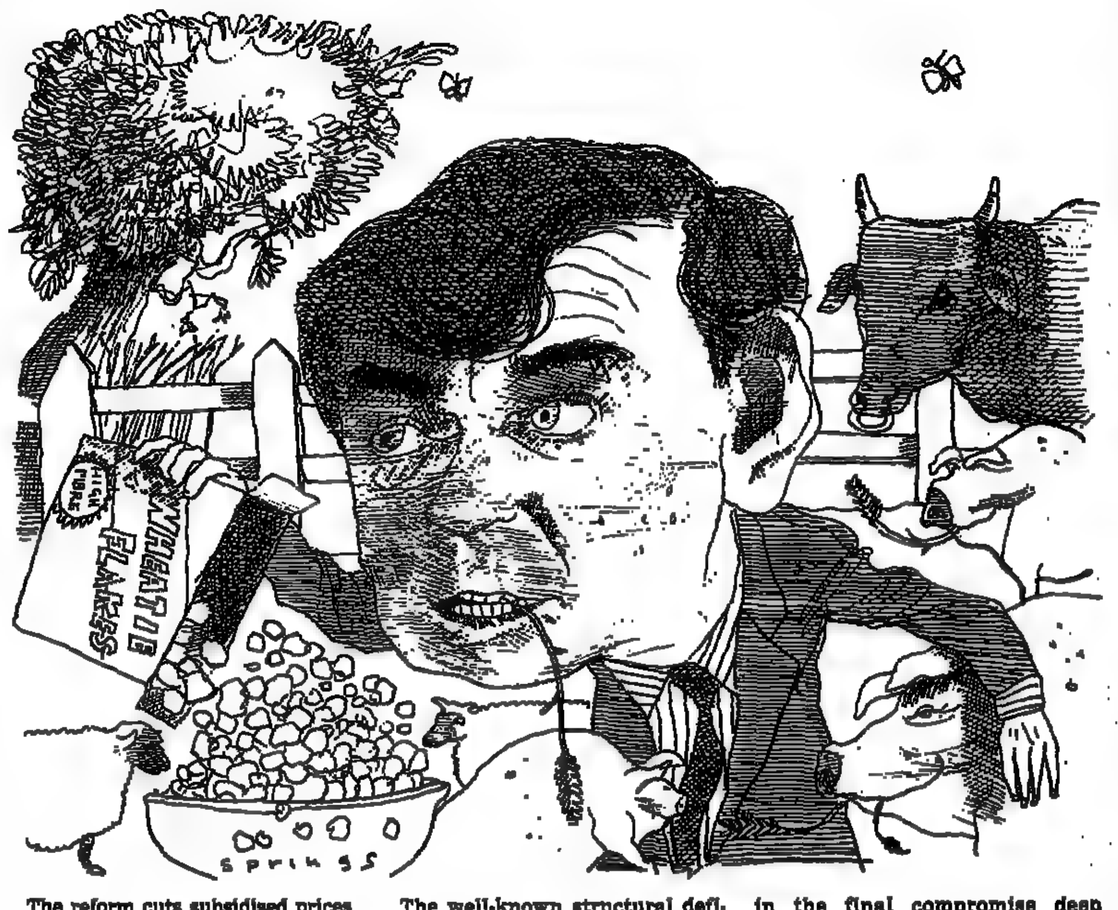
Local authorities are one source of inspectors. But not the only one, and it is to be hoped that dynamic teachers, management consultants, indeed parents with a talent for the job, will find the rewards sufficiently attractive to come forward. Provided the Chief Inspector takes seriously his responsibility to train inspectors, and does not expect them to come ready-made, direct classroom experience need be no bar.

The inspectorate will inevitably encroach on areas currently the preserve of local authorities. One area of great importance is ensuring an adequate supply of school places. Ministers hope that with funding more closely related to pupil numbers, and capital funding directed towards the most popular schools, market forces will do a large part of the job. They may do so – but will not invariably succeed in raising standards in poorly-performing schools, and will only rarely succeed in closing those whose performance – or size – merits such drastic action. Consider the 17 per cent of primary schools which have fewer than 90 pupils. The recent "three wise men" report on primary education stressed that every primary school ought to have direct access to specialist expertise in all nine national curriculum subjects. If they don't or can't, what should be done? Closure, merger or joint provision – without, perhaps, a local authority to organise it? Inspectors will need to say.

Providing curriculum leadership and monitoring the quality of teaching is only part of the job of today's head teachers. Along with the governors, they also have to manage a budget which may run to several million pounds. Inspection teams must include individuals with expertise in financial management, and they need to inspect a school's governors as closely as its teachers.

The EC's agricultural package, brokered by Ray MacSharry, will cut output and food prices, writes **David Gardner**

Reforms with a grain of sense



It is a done deal – despite a little local difficulty in Italy. The Italian wrangle – over illicit milk production – could put back the date of formal agreement, but almost certainly will not. It will not, in any case, obscure the fact that the European Community has this week agreed what is by far the most radical reform of the Common Agricultural Policy since its inception 30 years ago.

Around dawn yesterday morning, 50 hours into the last round of 18 months of belligerent negotiations, Mr Ray MacSharry, EC agriculture commissioner, got critical mass for his proposals: a clear majority for the reform among farm ministers of the 12.

The EC has at last got to grips with the root problems of its grotesquely profligate farm regime. The consequences are likely to be far-reaching.

The EC should soon start to reduce food output to what it needs, and what it can sell abroad honestly, through competition rather than by undercutting international producers through subsidised prices. Farmers can in general look forward to more stable incomes, and consumers to cheaper food. The countryside should gradually become cleaner, as the reform erodes financial incentives for the intensive farming practised in much of Europe. It is possible that debate on the future of European farming will be something that lay people may now comprehend.

The point of departure is that the EC has given itself the means to slice into the food mountains for which the CAP has become infamous. Even the modified MacSharry proposals contain the sinews needed to restrain the EC's galloping overproduction of food, now running at about 24 per cent over needs, and rising. The more muscular reform Mr MacSharry had originally envisaged was sapped by the fierce outcry of the EC's farm lobbies, echoed and targeted by their agriculture ministers. But what was achieved in principle this week is still, a senior aide to the commissioner said yesterday, "son of MacSharry, definitely".

The commitment to rein in overproduction will not, however, automatically unlock a Uruguay Round world trade liberalisation deal, blocked by the inability of the EC and US to agree on how much each side should cut back on farm support within the General Agreement on Tariffs and Trade (Gatt). But such a clear policy signal from the EC can not easily be ignored by the US, and could give the Round momentum when the two sides resume talks next week.

Irrespective of when a Gatt agreement finally emerges, the EC reform will, by 1996 or 1997, have virtually eliminated the export subsidies Community producers use to dump food on world markets. These subsidies are the high octane fuel of the Gatt row, and the ruinous effects of EC dumping on its industrialised and developing country competitors are the single most insidious feature of the CAP.

"It will be very difficult now for the US not to understand that it has to make some very major move in the direction of the Community," judged Mr John Gummer, the UK's agriculture minister. Mr MacSharry put it rather more bluntly, but the EC message to Washington from this week's meeting was uniform and clear: take it or leave it.

Mr MacSharry says: "What we are involved in here is a totally different philosophy to what has existed for 30 years."

The reform cuts subsidised prices severely, moving them close to world market levels. Cereals, for example, will drop in price by 29 per cent over three years, in addition to automatic cuts to be decided this year as a levy on overproduction – the remnant of the 1988 "stabilisers" regime which failed to rein in oversupply.

Farmers will get full compensation for the cuts, paid directly, rather than as now, through an inflated price guarantee. This will be paid on a per hectare basis calculated on a past average yield which is frozen, rather than on future output. This breaks the link between the support paid to farmers and the increasing amounts which price support incites them to produce. In addition, all but small farms will only get this compensation if they take 15 per cent of their land out of production.

Previous reforms of the CAP, hailed as definitive at the time, failed because they did not deal with the price support mechanism, which, allied to exponential productivity growth, easily neutralised a succession of ad hoc brakes on oversupply. Furthermore, CAP support prices have historically been tailored to accommodate inefficient German agriculture, rather than being set at French levels of competitivity. Now, prices are being set near market levels.

The well-known structural deficiencies of the CAP have been magnified by the EC's tendency to throw money at all problems arising from its farm regime. Untold billions have been spent on wheezes like the the "calf milk replacement" scheme – whereby milk from the cow's udder enters the calf's mouth entrepreneurially, first having been turned into powder, then protein enriched, then back into milk and fed to the calf.

The EC Council of Ministers this week, though dominated by radicalism, nevertheless resembled nothing so much as an Arab souk, with the carpet-trading ministers extracting all manner of sweetheart deals from the European Commission as the price of their support. Germany, the main stumbling block to agreement, did particularly well. It got the nod for increasing national subsidies to its farmers, and a special deal for the eastern Länder which will probably link compensation to future production.

Added up, these concessions can be absorbed by a budget currently running well under its limit for this year of Ecu35.3bn.

But two questions arise out of this horse-trading. Are these additions to the reform the obstacles of the future? And are the price cuts in the final compromise deep enough?

None of the concessions threaten the integrity of the reform's structure. Mr MacSharry, at his most aggressive and canny through the long, night-time negotiations he insisted on conducting with ministers individually to avoid alliances against him, knew what he was giving away. The eastern Länder, for instance, have a rich cereal-growing tradition which could, in theory, bring more unwanted grains onto the market. Except, as a senior British diplomat pointed out, the incentive to do so has just been removed.

The cuts are probably not deep enough, and it is likely that new reductions will be needed further down the road. Mr Brian Gardner, an expert on the CAP, draws the parallel with the Uruguay Round bringing agriculture into world trade discipline for the first time. "As in the Gatt negotiations," he argues, the CAP reform "will have established the principles for further reductions."

Farmers themselves will suffer less from these cuts than they would under present arrangements, which have forced their income into secular decline. Very simply, the more money the EC has laid out in price support, the greater the overhang on the market has become, and the less farmers have earned. CAP outlays are channelled as much into warehouses as to farmers. An independent study for the Commission shows that farm income will now fall by about 3 per cent less than it would have done without reform.

The effect on food prices is disputed, not least by a food processing industry wary of raising public expectations about forthcoming price cuts. Most specialists believe consumers can expect back at least a quarter of the $83.6bn subsidy paid to European farmers in 1990 – in addition to the $62.7bn they contributed towards through the EC budget and national treasuries. The Commission translates this into 15 per cent to 20 per cent cuts on pork and poultry, 15 per cent cheaper beef, 7 per cent to 8 per cent reductions on butter, and about 3 per cent off bread.

All this is of a piece with what should develop as a farming culture more inclined to embrace competition. When Mr Louis Mermaz of France, until last October the MacSharry plan's most adamant foe, said yesterday: "We accept the proposal ... we are very satisfied," it is clear that the competition penny has dropped.

France, the EC's agri-superpower accounting for nearly half Community grain exports, was in the end frightened that prices would not come down far enough, and that quotas would be used to limit production, blunting its competitive edge. The French know they can compete with the most efficient world producers, especially in the context of multilateral subsidy disarmament offered by Gatt.

A successful Uruguay Round, however, is by no means a given as a result of the EC's reform.

The US remains reluctant to exempt for more than six years the direct compensation to farmers from the Gatt's scheduled subsidy cuts. This is even though Brussels insists that its reform mechanism will deliver more cuts than the the Uruguay Round "final act" actually requires. Gatt requires, for example, 36 per cent cuts in export subsidies over six years, whereas the EC should have all but eliminated them within half that time.

Washington and Geneva have a point, in that the direct payments, although partially decoupled from production, will still go into a single farm pot, and will eventually show up in output. That is another reason why this reform is not definitive – but neither can the Gatt pretend to anything like the definitive liberalisation of farm trade. The two processes have to be harnessed together, and may well be.

But the Gatt farm chapter now seems to turn on whether the US will allow the EC to average the required 24 per cent cut in the volume of subsidised exports across sectors, rather than insisting it apply to each individual product.

The EC wants to be able to cut more on products like barley and skimmed milk powder, and thereby be able to export more of its most competitive or high added-value produce, like wheat and cheese.

There is nothing to suggest the US will go for this. Concern for its own wheat and soya exports is one root of the whole farm subsidies imbroglio. Now that the EC is cutting its cereals and oilseed prices, Washington may have all the more reason to fear opening any sort of gap for the Community.

But MacSharry's reform has established one thing pretty clearly: the ball is now in Washington's court.

Joe Rogaly

Major's chance to take a lead in the east

Nothing prepares you for your first sight of Budapest. I offer this thought to Mr John Major, who will come here for the first time next week, following his maiden visits to Poland and Czechoslovakia.

The bit western first-timers see is close to home, with its excellent hotels, its range of shops from Benetton to McDonald's and its many imported cars. The British prime minister will probably not have the necessary hours to spare for an excursion down the Danube; if he did, he would take notice of the boat houses and dachas that, with their owners at play in the sun last weekend, reminded me of Florida's waterways. Stand on the riverside in Pest and contemplate the wealthy suburbia in the hills of Buda and you could persuade yourself that all the talk of a new third world on the European Community's eastern border is misplaced; that, rather, this is one of the fairest cities in what will surely become the Greater West.

The fancy could be elaborated. The democratically elected coalition government includes Christian Democrats. It appears to be conservative, cautious, apparently suited to Mr Major's taste. There is a functioning opposition and a free press. The rule of law is slowly being re-established. The prime minister, Mr Jozsef Antall – a comfortingly grey personality – has maintained stability during these difficult early stages of establishing a parliamentary democracy. Hungary is the most popular eastern destination for western private capital. Foreign investment is pouring in, not only from Germany and Austria but also from the US and even Britain. Earnings from tourism and foreign trade are rising rapidly.

Mr Major will not wish to be bamboozled by the stage set components of this picture. His Foreign Office brief will surely prevent that; alternatively, common sense should be enough. The Hungarians deserve help and encouragement, but this should not be allowed to disguise the fact that they are only in year three of what could be a generation-long struggle to build a prosperous, free and open society. Away from the shops and restaurants of central Budapest, the visitor finds dark rows of ill-maintained buildings; away from the capital itself the low standard of living of many Hungarians is evident. On one rough estimate, 30 per cent of the people are better off than they were under the communists, about a fifth are living at about the previous standard and the remaining half are worse off.

Hungary is not the third or the first world; yet it belongs within the west European family

Unemployment is rising: it could reach 15 per cent this year, according to the Economic Research Institute. Inflation is falling, but might still end up at 25 per cent in 1992. Productivity, national output and consumption are all decreasing. The anecdotal evidence is of families crowded in dingy flats, widespread job losses and, in compensation, the flourishing of a black economy first developed under communist rule.

The new democracy's roots are fragile, and in thin soil. Plum positions are still allocated on an old boy network; former communists get their disproportionate share. Civil society, with its plenitude of independent institutions, has been corrupted over the past 40 years; it could not be re-established overnight. Most of the politicians are painfully inexperienced. Their factional quarrels, shown on television, have disenchanted a public for whom, in some quarters, there is a nostalgia for the certainties of communist rule. The turn-out in recent by-elections has fallen below 20 per cent. Mr Antall, accused by his opponents of incipient authoritarianism, clearly has no patience with the partisanship of the opposition press. His attempts to treat the heads of the official radio and television networks as paid employees of a politicised civil service have been frustrated by the president and the constitutional court. It is not the third world, but it is not the first either.

Yet it undoubtedly belongs within the west European family. Mr Major's primary task next week is to assure the heads of the Polish, Czechoslovak and Hungarian governments that he not only believes this, but that when Britain assumes the presidency of the European Community in a few weeks he will behave as one who regards their eventual full membership as certain. As Mrs Margaret Thatcher said in Bruges in September 1988: "We must never forget that, east of the Iron Curtain, peoples who once enjoyed a full share of European culture, freedom and identity have been cut off from their roots. We shall always look on Warsaw, Prague and Budapest as great European cities."

Eastern venture: parliament buildings in Budapest; John Major

This makes Mr Major's task clear, but awkward. He must affirm EC and UK support and sympathy while yet reminding his hosts in all three capitals of what it takes to become a thriving democracy. Mr Antall is most at home in German; his relationship with Chancellor Helmut Kohl is close. The Hungarian prime minister may accept private advice from Bonn but is unlikely to respond well to anything that would resemble public preaching from London. He might, characteristically, defend himself by emitting a cloud of verbiage, most notably on the bloodshed in Yugoslavia, where many Hungarians are trapped by the war. He can present his republic as a tranquil island in a potentially inflamed central Europe.

Yet Hungary sees eventual EC membership and the protection of a European security umbrella as the principal aims of its external policy. This is the logic of its history: it has ever been the vassal, the colony, or the client state of one or another giant neighbour. It does not wish to repeat the experience. It can thus reasonably be kept aware of the necessary qualifications for membership of the various European clubs. Press freedom is one of them. The International Press Institute, meeting in Budapest this week, urged political leaders in former communist countries to accept a free role for the media, since the new governments would be judged on their attitudes to political expression. Mr Major will see the value of reinforcing this message.

To leave it at that would, however, be to lose an historic opportunity. With President Bush pre-occupied with his election campaign and the French president and the German chancellor both weakened by domestic political difficulties, the British prime minister is in a unique position to propose a new course for western policy in the post-communist age. We knew what we wanted in the half-century after Yalta: it was to roll the Soviets back. But now someone has to explain, in language as vivid as Mrs Thatcher would use, why it is in our interest to move the boundaries of the west eastwards over the coming decades.

A rush for black gold in the world's far frontiers

Oil companies are abandoning their traditional fields to explore higher risk and higher return deposits, says Deborah Hargreaves

Enterprise Oil is charting a passage through the dense jungles of Laos to take seismic readings in an arduous search for oil. As the trail moves north towards the border with Vietnam, engineers from the British company run the risk of detonating unexploded mines with the monitors they carry to survey the local geology.

In South America, British Petroleum faces possible disruption to its $200m oil-drilling programme in the foothills of Colombia from attacks by left-wing guerrillas.

Across the globe, Chevron finally signed an agreement this week with the government of Kazakhstan, a member of the Commonwealth of Independent States, to develop a potentially huge oilfield in the Caspian Sea. The company has been negotiating the deal for four years amid the shifting allegiances of politics in the former Soviet Union.

In spite of such obstacles, the world's oil industry is increasingly keen to develop what it describes as a "frontier strategy" as it moves away from fields which are running dry.

The drive for expansion has been matched by the opening of traditionally closed markets by new governments which are more accommodating towards western oil companies than their predecessors.

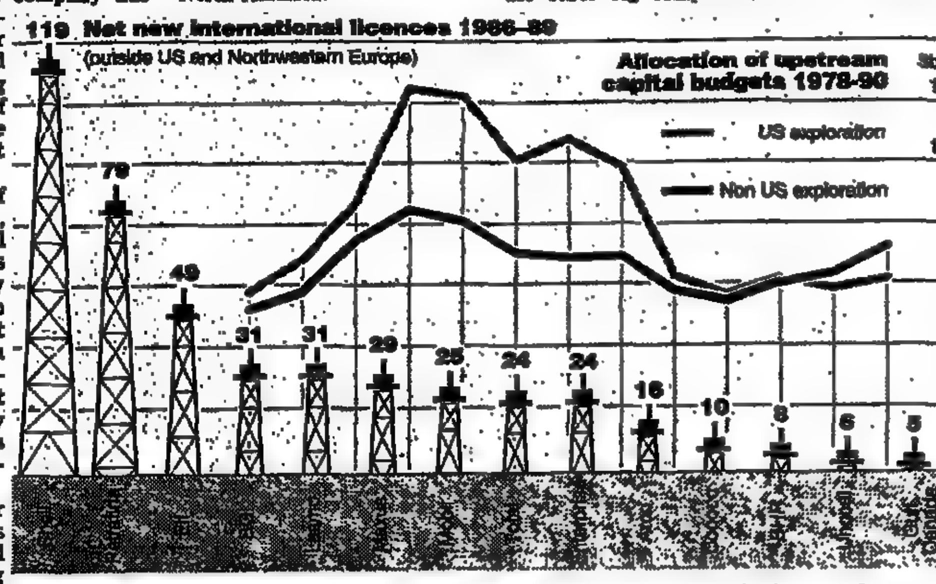
These governments – from Vietnam to Russia – are seeking to exploit mineral resources to expand hard currency earnings as they reform their economies. But faced with global credit shortages they realise that they will not find the capital they need to develop their resources from the international banking community alone.

The cash demands are huge. Dr *Subroto*, secretary-general of the Organisation of Petroleum Exporting Countries (Opec), estimates that its 13 members alone need some $25bn in capital over the next decade to complete their capacity expansion plans to meet rising world demand.

Western oil companies can provide investment funds and sophisticated technology in return for access to oil reserves. In exchange for exploration licences, companies usually fund the costs of searching for oil and, if they find it, pay the host government in oil and royalties.

Mr Dan Yergin, who heads Cambridge Energy Research Associates, an oil consulting group, and author of The Prize, a best-selling history of the oil industry, calls this a "new bargain" between countries and companies.

"It is the antithesis of what we saw in the 1970s when a wave of nationalism across the world led to many of these *companies being thrown out of* countries they were operating in," he says. "The great question then was – what is the future of the traditional oil company outside of a few areas such as the North Sea and North America?"



Today, the oil majors believe that their frontier strategy provides an answer to that question.

These companies are unlikely to see large production growth in the North Sea, which has been so well explored that there is little chance of further big discoveries. Similarly, they are leaving North America where the environmental lobby has prevented them drilling in large parts of the country.

Mr Allen Murray, chairman of Mobil, the second-largest US oil company, says the most attractive areas for drilling in the US – offshore California and parts of Alaska – have been closed to the industry following concerns over pollution and environmental damage after the Exxon Valdez oil spill disaster in March 1989. "We're sitting on two tracts we've purchased, but are not being allowed to drill because of pressure from local environmental lobbies," he said.

The search for new fields is given urgency by the failure of the large oil companies to maintain reserves. "So many companies have done a poor job of replacing their reserves," says Mr Robin West who advises companies on their frontier strategies at Petroleum Finance Company, the Washington-based consulting group. "They are now being forced to turn from quick payout, low-risk investment in the North Sea and North America to riskier prospects."

British Petroleum, for instance, failed to replenish its oil reserves during much of the 1980s – the level of its proven oil reserves dropped by 4 per cent last year – largely as a result of its concentration in the mature oilfields of the North Sea and Alaska.

For British Petroleum, as for the other big companies, the hope is to find a so-called "elephant" – a discovery estimated to contain 1bn barrels of oil or more. A find of this size would secure long-term reserves and should ensure earnings growth for at least a decade.

Mr Kenneth Derr, chairman of Chevron, says this is why his company was so patient in its attempts to exploit Kazakhstan's Tengiz field. "It is unique in terms of size, and could have a meaningful impact on a company of our size for a very long time."

The Tengiz field is estimated to contain recoverable reserves of between six and nine billion barrels – approximately twice the remaining recoverable reserves in the UK. Once Chevron's joint venture project goes ahead its share in Tengiz could raise the company's worldwide production of 1.2m barrels per day by an estimated 10 per cent over three years and as much as another 500,000 barrels per day by the turn of the century.

The lure of such large discoveries is a powerful incentive for companies to focus on frontier drilling, but the risks are huge. Oil exploration is a *notoriously hit and miss affair* in the best-researched locations and frontier strategies increase the risk that companies will be investing in dry holes.

"At the end of the day, you have some very high-tech data on the geology, but you are making subjective judgments and half of the wells you drill are dry," said Mr Brian Lee, general manager of exploration at Lasmo.

Clyde Petroleum, a British exploration company, was disappointed when its $8m investment in offshore drilling in Vietnam turned sour last year. The company found a gas reservoir, but it turned out to be carbon dioxide.

British Petroleum hopes to minimise the risks of its frontier strategy by targeting areas where its sophisticated technology can make a significant contribution to extracting oil from known reserves. In many developing countries, known oil deposits have not been exploited because of inadequate technology and equipment.

The use of sophisticated technology, however, does not remove the political risk in some countries, where governments can be unstable and liable to turn hostile to western companies.

In spite of such risks and the costs, frontier strategy is a trend that will continue. "We are seeing virtually the full departure of the 15 largest companies from drilling onshore in North America," said Mr Tom Petrie, industry analyst at Petrie Parkman, a US consulting group.

Their departure for new frontiers marks a return to the high-stakes competition of the early years of oil exploration and may herald a shake up in the ranks of the leading oil companies. For the 1990s, the industry's winners and losers will likely depend on who takes the risks, who strikes a deal in the republics of the former Soviet Union or who gets lucky in the jungles of Laos.

OBSERVER

Whistle-stop tour

■ Sir Terence Conran, for one, must be reflecting on the circumstances that caused Michael Julien to quit as boss of Storehouse at just 54.

It took the company's creator about 18 months to decide he did not wish even to function as a *non-executive director* alongside the ultra-ambitious Julien, who came in as chief executive of Storehouse in 1988. Now Julien has finally decided he cannot take his own frenetic pace, and from July will be recovering from a persistent virus at his French farmhouse.

Julien is remembered even in his days as Midland's finance director as an "exhausting" colleague to be around. But it was also there he really made his mark - in extricating the UK clearer from the Crocker debacle.

Since then, he has continued to move at frenetic speed *around the corporate* flashpoints of Britain - Eurotunnel, for a short time, and then to Guinness, to help restore order after the big scandal.

But his driving ambition to rise from finance director into the driving seat took him to Storehouse – at huge personal financial cost as he relinquished his Guinness share options – to run the group just as the peak of the consumer boom slipped inexorably into recession.

Boss at last, he failed to silence his doubters. While it took him mere months to knock financial sense into the Storehouse balance sheet, his legendary workaholic characteristics did not deliver any profound grasp of retailing. Contrast his successor, *soft-spoken* American David Dworkin, who had spells at a host of big *name US retailers under his* belt before he began making a success as chairman of BhS.

Dworkin, chewing thoughtfully on a banana at yesterday's press briefing, is not short of energy himself, but makes less noise.

Unkind cut

■ Anglers at a Netherlands gravel pit thought a blow was being struck for the underdog when they saw a cavorting American pit bull terrier attacked by a giant pike. The dog, called Mahruss, needed six stitches to cuts in its *forepaw*.

Alas for justice, although looking like a pit bull, it wasn't one. Mahruss is really an American Staffordshire terrier which, unlike the notorious fighting strain, is bred to be a companionable animal – or so says the UK Kennel Club, anyway.

To cap it all...

■ Oh the pressures of being creative! Take for instance Emilio Ambasz, Argentinian architect, industrial designer, museum curator, academic and whatnot.

So versatile is he that, in his Pentagram/Design Museum lecture in London this week, he presented himself – albeit in self-parody – as no fewer than three visionary personalities. They were:

Emilio, naturalistic architect, builder of earth-covered dream-palaces for millionaires in Montana, etc.

Ambasz, body-conscious designer, begetter of bendy toothbrushes and fold-away TV sets for the populace.

Emilio Ambasz, who blends the talents of both the above and applies them to such things as graphic design.

But perhaps the best summary of the whole was

"It's not a telephone – it's a profit maximisation module"

provided by his description of the bit of himself that works as chief design consultant to US engine group Cummins:

"Ambasz just encourages the engineers to have the courage to make their own decisions. In 10 years with Cummins all he has actually designed is a little oil-cap cover."

Life of leisure

■ Look out Glyndebourne. A rival rural opera house will soon be springing up in north-east England, if Northumberland miner's son Sir John Hall has anything to do with it.

The man who turned 120 acres of wet ashes into Gateshead's MetroCentre will retire from his Cameron Hall Developments company on reaching 60 next March, handing over to his 33-year-old *son Douglas*.

"It's very difficult to step down when you have been in power for so long, but I've made a decision - I've done nothing else but work since I was 16," he said from Lisbon.

But what he means to do as a sexagenarian might perhaps not strike everyone as leisure.

Only part of his plan is the "northern Glyndebourne", surrounded by what is intended to be one of England's best gardens. It will be built at his home Wynyard – the 144-year-old mansion on the Durham/Cleveland border, which he bought in 1987 from the former coal barons, the Londonderry family.

Another project is to write the story of MetroCentre, still Europe's biggest out-of-town shopping and leisure complex, which was sold to the Church Commissioners five years ago.

Meanwhile, Hall will continue as chairman of Newcastle United football club which, despite its troubles, he intends to expand into the "greatest soccer academy in Europe". On the side, he'll also do consulting for Cameron Hall and give some backstage help to the Tory party.

Just desserts

■ Whoever defined satire as "the sour cream of wit" has been given the lie by the Californian arm of Ross Foods. It is lampooning the US political establishment with a box of assorted sweets. "A government fit for human consumption!" it declares on the lid.

The contents include: "One nut-fudge president, one marshmallow vice-president, a *filibuster of jelly bean* senators, a caucus of gum-drop representatives, and a sprinkling of red-hot congressional companions" (appropriately cinnamon-flavoured).

If any reader cares to suggest an alternative selection fitting the UK's administration, Observer will convey the idea to relevant manufacturers – besides awarding a bottle of malt whisky for the best-judged entry.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Electricity supply security forgotten

From Mr Patrick Hanson.

Sir, I would like to add a few comments to your preview of the public inquiry into the National Grid Company's application to erect new 400kv transmission lines between Teesside and York ("National Grid faces first big inquiry", May 19).

Chris Tighe's report rightly cited Enron's huge new gas-fired power station at Wilton as the main catalyst and suggested that completion of the upgraded lines by National Grid would enable that plant's net output to be sold into the electricity pool.

In fact, in the name of competition, Prof Stephen Littlechild, the director-general of electricity supply, in September 1990 gave National Grid written *derogation from its* proper licence conditions on transmission standards for the connection of new plant in respect of the Greystones (Enron) station. This will enable the plant to sell its output before the disputed lines are ready, under conditions of reduced system security.

The liberated market place therefore gives rise not only to environmental concerns, as voiced at the Northallerton inquiry, but also to fears of degraded security of supply. It was only a few years ago that the Department of Energy confirmed at the Hinkley Point inquiry that transmission security was an integral part of overall security of electricity supply, but that message, like the department itself, is being forgotten.

Patrick Hanson,
national research officer,
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Law change that would remove inequities in pension schemes

From Mr John Moret.

Your leader ("Reform of the pension funds", May 11) rightly highlighted the need for reform of the current occupational pensions framework. I fear that tinkering with the existing structure, such as extending the "Club" transfer model as suggested by Mr Redman (Letters, May 13) complicates matters. The final salary legislative framework that has evolved is already so complex that the vast majority of its beneficiaries do not comprehend it and it needs its own "industry" to translate it.

Potentially, money purchase schemes have the merit of simplicity – and do not suffer from the cross-subsidies and *questions of ownership that* plague final salary schemes. Investment risks exist but these can be minimised. More importantly, the members undeniably benefit from favourable investment performance.

Unfortunately, occupational money purchase schemes remain subject to many of the final salary benefit restrictions and other legal requirements. Company-sponsored personal pensions plans, with freedom of investment, offer a far simpler and flexible solution – but a change to the Financial Services Act legislation is needed to enable employers *actively to* "promote" such schemes. This step, along with the introduction of some safeguards such as restrictions on the marketing of high-cost products and controls on commission levels, would go a long way to solving the inequities and other recently exposed limitations of final salary schemes.

John Moret,
pensions manager,
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Not so bad a defeat

From Mr C Rowley.

Sir, Ivo Dawnay's article ("Shadow boxing in the Labour ring", May 13) continues your paper's tendency to see Labour's results in the recent general election as a "humiliating" defeat. Yet, the Labour party:

- increased its number of MPs and percentage of the vote for the third consecutive election;
- reduced the government's previously large majority;
- cut into the Liberal Democrat vote;
- came within 1,000 votes of victory in 17 seats.

While, obviously, Labour lost the election, some analysis of *the real losers – the continuing* post-1983 decline of the Lib Dems and Paddy Ashdown's strategy of replacing Labour by the Lib Dems, is needed. This will then give a more balanced presentation.

C Rowley,
lecturer,
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Cardiff CF1 3EU

Views polarised on state of vocational training in UK

From Mr Peter McGregor.

Sir, Malcolm Craig's Personal View ("Bring back apprentices", May 20) is one of a number of items since my letter of April 30 which have exposed the total inadequacy of the reality of vocational training in Britain.

However, it is not that we throw out the baby with the bath-water, for at least that would enable us to start again. Over a vast array of policies, we throw out the baby and keep the bathwater.

Peter McGregor,
Dacre Cottage,
Longworth, Oxfordshire

From Mr Clifford Chetwood.

Sir, Malcolm Craig is widely off the mark and totally inaccurate when he writes of "hotch-potch" training in the construction industry.

Construction, which employs one in 10 of Britain's workforce, has developed a highly disciplined, properly integrated and, more to the point, employer-led training base.

Led by the Construction Industry Training Board, it has the biggest youth training programme of any industry in Britain, and YT has long been accepted as the preferred method of entry training for craft workers.

More than 165,000 young people have been through the scheme under the CITB's managing agency, training for up to two years in very specific industry-related occupations. Today we are training some 16,000, despite the recession.

Periods of instruction and supervised practice at a college or training centre alternate with periods under supervision on site. These on-site periods are generally spent with the trainee's sponsoring or employing company in order to give practical experience of day-to-day working techniques and conditions. There are 30 individual skills and occupations for which the CITB provides YT programmes.

Until now, most of those completing the programme have gone on to gain City and Guilds craft qualifications after further training under apprentice-type arrangements. We expect most of those who complete the programme in future to achieve the construction national vocational qualifications now jointly awarded by the CITB and City and Guilds.

Equally important, more than 90 per cent of those who have finished the programme have remained in the industry in permanent jobs. Surely evidence enough to confirm that their training has been wholly relevant, and not hotch-potch.

Clifford Chetwood,
chairman,
Construction Industry Training Board,
24-30 West Smithfield,
London EC1A 9JA

FINANCIAL TIMES
Friday May 22 1992

Some businessmen say end to crisis depends on Suchinda's resignation

Thai protesters keep up struggle

By Peter Ungphakorn and Victor Mallet in Bangkok

DEMONSTRATORS in favour of democracy who were released yesterday from Bangkok jails immediately vowed to pursue their campaign for the resignation of Gen Suchinda Kraprayoon, Thailand's unelected prime minister.

After King Bhumipol Adulyadej ended three days of violence by arranging a compromise on Wednesday night between the government and the opposition, small groups marched peacefully behind a black flag to the Democracy Monument in the city centre yesterday evening to mourn over 40 people killed by soldiers since Sunday night.

The mood in the capital was one of anger and disappointment that Gen Suchinda, the former armed forces chief who became prime minister last month, had not yet been forced to quit.

The government lifted a night-time curfew announced on Wednesday and withdrew orders to three anti-government newspapers to suspend publication, but a state of emergency which includes a ban on gatherings of more than 10 people remained in force. Protesters have largely ignored the ban.

Other countries welcomed the intervention of the king, the halt to the violence and the release of 3,000 protesters, and the Foreign Office in London told British tourists that it was now safe to travel to Thailand.

The Bangkok stock market responded euphorically to the deal arranged by the king, and the SET index rose 9 per cent, or 60.30, to 738.67, more than recouping its losses earlier in the week.

While factories and shops reopened, some business leaders said they saw little chance of an end to the crisis or the revival of investor confidence until Gen Suchinda resigned. One executive of the Federation of Thai Industries called for a general election to introduce a fresh set of politicians into parliament.

Critics of the government interpreted conflicting statements from members of the five-party coalition as evidence of renewed stalling over constitutional reforms which are seen as a way out of the crisis.

Speaking at an emergency meeting of the cabinet yesterday, Gen Suchinda repeated the promise he made in a midnight broadcast on Wednesday to support a speedy amendment of the constitution. The opposition is now focusing its demands on a provision that would require the prime minister to be an elected MP.

Since Gen Suchinda has not been elected and has repeatedly said he does not want to be involved in what he calls sordid electoral politics, this could mean his resignation.

Some members of the coalition said they would support the proposal for an elected premier and would not require a long transitional period that would allow Gen Suchinda to continue in office. One government MP was even reported as saying he should resign when parliament convenes. Other MPs from the ruling coalition, however, said they saw no reason to prevent a non-MP becoming prime minister so long as he was supported by a majority in parliament.

The cabinet decided to submit an amnesty bill to parliament for the freed detainees, but some members of the opposition said this would avoid court trials and cover up evidence of brutality committed by the security forces.

Opposition parties demanded that the government bring to justice those responsible for shooting civilian demonstrators and reveal full details of casualties.

Air Chief Marshal Kaset Rojananil, military supreme commander, angered critics by rejecting reporters' questions about unnecessary use of force by the troops. He said the security forces had fired in self-defence and became angry when reporters suggested that teargas might have been a gentler weapon than M-16 semi-automatic rifles.

Stand-off in struggle, Page 6

German chancellor Helmut Kohl (left) and French president François Mitterrand meet in La Rochelle for a one-day summit to discuss plans for a Franco-German army corps. The pair told children on a visit to a primary school that there would one day be a president of Europe

Russia backs Armenia in dispute with Azerbaijan

By John Lloyd in Yerevan

RUSSIA MOVED swiftly to signal its support for the republic of Armenia yesterday following Turkish threats of military intervention in its conflict with Azerbaijan.

Mr Gennady Burbulis, Russian president Boris Yeltsin's top aide, General Pavel Grachev, the new defence minister, and Marshall Yevgeny Shaposhnikov, the head of the armed forces of the Commonwealth of Independent States, flew to Yerevan for talks with the republic's leaders on the status of its seventh army based in Armenia.

The conclusion of a treaty permitting the stationing of Russian troops in another state would be the first such agreement since Russia decided to form its own army last month. It would also send a clear signal to Turkey and Azerbaijan that Armenia is in Russia's sphere of interest.

The talks come just two days after Mr Turgut Ozal, the Turkish president, threatened to send in troops after reports – denied by Armenia – of the entry of Armenian soldiers into the Azerbaijani enclave of Nakhichevan, situated between the borders of Armenia, Turkey and Iran.

Marshall Shaposhnikov warned two days ago that such intervention could "create a third world war". However, yesterday, Mr Burbulis said he "ruled out" a Turkish intervention.

Mr Yeltsin and Mr Suleyman Demirel, the Turkish prime minister, are due to hold talks in Ankara on Monday.

There are also fears that the broader conflict between Armenia (supported by Russia) and Azerbaijan (supported by Turkey) over the Armenian-dominated enclave of Nagorno-Karabakh could escalate into a regional conflict.

Azerbaijan refused to sign a collective security treaty agreed between six of the 11 CIS member states, including Armenia, in Tashkent last week. The new Azeri leadership has indicated that it will not continue the republic's membership of the CIS in its present form, and has called for bilateral economic agreements between it and Russia.

Armenia has in the past week opened up a "humanitarian corridor" to Nagorno-Karabakh, the Armenian enclave in Azerbaijan, while Karabakh self-defence forces have expelled almost all Azeri military from the enclave.

● Reuter adds from Baku: Commonwealth border troops near the Turkish frontier have been put on alert after a night of fighting between Azeri and Armenian forces around the Azerbaijani enclave of Nakhichevan. The Turkish foreign ministry said Armenian units were firing on Nakhichevan from their side of the border. "Our information is that no clashes are occurring inside [Nakhichevan] borders," he said.

EC's ruling on Midland bid means setback for Lloyds

By Robert Peston in London and Andrew Hill in Brussels

LLOYDS BANK's hopes of buying rival Midland received a setback yesterday when the European Community competition commissioner, Sir Leon Brittan, said there was no need for an extended investigation into the Midland bid from Hongkong and Shanghai Banking Corporation.

Meanwhile, the Office of Fair Trading, the UK competition authority, is believed to have recommended to Mr Michael Heseltine, president of the board of trade, that Lloyds' proposed offer should be subject to a lengthy investigation by the Monopolies and Mergers Commission. It made its recommendation late on Wednesday evening.

Only rarely is the OFT's recommendation rejected by the Department of Trade and Industry, Mr Heseltine's department. He is likely to announce his decision by early next week, probably on Tuesday.

Lloyds and its advisers admit in private that they expect their planned bid to be referred. They have made detailed plans to cope with that eventuality.

As a result of preconditions Lloyds made when announcing its bid intentions, it could choose to abandon the fight. However, it is expected to drop the preconditions and subject itself to scrutiny by the MMC.

It would tell Midland's shareholders that it is confident of being cleared by the MMC and therefore ask them not to accept Hongkong Bank's bid, pending the outcome of the inquiry.

As a testament of its confidence in the outcome of an MMC inquiry, it may buy Midland shares in the stock market. It believes it could buy up to 10 per cent, held by "arbs" or speculators, relatively easily.

However, it would have to ask Mr Heseltine's permission to buy the shares if the bid is referred, although it is confident of receiving this permission.

Meanwhile, Sir Leon Brittan said yesterday: "We found that Midland Bank and Hongkong Bank compete in very few sectors, and that if the merger [of those two banks] went through, fierce competition would remain in these sectors."

The clearance means the UK government cannot open its own investigation into the bid, unless it invokes an as yet unused clause in the EC anti-trust rules. This allows member states to examine bids for prudential reasons even if they have been cleared by the Commission.

The Bank of England has already indicated it is happy with the Hongkong Bank deal.

UK bank holds review after Indian loss

Continued from Page 1

were huge, he said, and far exceeded the credit limits by which the Bombay operation was supposed to operate.

He described these IOUs as unique to India and said they were designed as a way of facilitating the settlement of securities transactions – settling a stock bargain on the Bombay Exchange has traditionally been a lengthy and arduous task.

At the start of the year, there was a sharp rise in the Bombay Stock Exchange, which was coupled with an explosion in the volume of these IOUs in circulation.

Standard's uncertainty about the extent of its losses stems from a number of causes.

Executives sent from London, led by the bank's treasurer, its chief inspector and its head of corporate loan recoveries, are sifting through "trunk loads of paper".

Mr Williamson said they were unsure whether all the IOUs were genuine. There was a risk that significant amounts were forged. The bank is also uncertain whether the counterparties named in the transactions would be able to honour their debts.

World Weather

		°C	°F
Ajaccio	S	22	72
Algiers	S	24	75
Amsterdam	S	24	75
Athens	S	23	73
Bahrain	S	31	88
Bangkok		–	–
Barcelona	F	20	68
Beijing	S	30	86
Beirut	F	21	70
Belfast	C	12	54
Belgrade	S	21	70
Berlin	S	25	77
Biarritz	S	23	73
Bombay	F	32	90
Bordeaux	C	20	68
Boulogne	S	24	75
Brussels	S	22	72
Budapest	S	22	72
Buenos Aires		–	–
Cairo	F	[illegible]	[illegible]
Cape Town	C	18	64
Caracas		–	–
Casablanca †	C	21	70
Chicago †		–	–
Cologne	S	23	73
Copenhagen	S	23	73
Corfu	F	23	73
Dallas †	S	23	73
Dublin	C	15	59
Dubrovnik		–	–
Edinburgh	R	9	48
Faro	C	21	70
Florence	F	21	70
Frankfurt	S	22	72
Geneva	S	17	63
Gibraltar	F	20	68
Glasgow	C	13	55
Helsinki	F	19	66
Hong Kong	C	25	77
Innsbruck	F	19	66
Inverness	Dr	9	48
Islamabad		–	–
Istanbul	S	21	70
Jakarta		–	–
Johannesburg	S	23	73
Lisbon	C	20	68
London	S	25	77
Los Angeles †	S	17	63
Luxembourg	S	19	66
Madeira	F	19	66
Madrid	S	24	75
Majorca	F	22	72
Malaga	S	22	72
Malta	S	21	70
Manila		–	–
Melbourne	C	11	52
Mexico City		–	–
Miami †	S	24	75
Milan	F	17	63
Montreal †	S	17	63
Moscow	C	7	45
Munich	S	19	66
Nairobi	F	23	73
Naples	F	20	68
Nassau		–	–
New Delhi	S	36	97
New York †	S	18	64
Nice	S	19	66
Nicosia	F	23	73
Oporto	C	19	66
Oslo	S	22	72
Paris	S	21	70
Prague	S	22	72
Reykjavik	C	7	45
Rhodes	S	23	73
Rio de Janeiro		–	–
Rome	F	22	72
Salzburg	S	20	68
S'Francisco †	S	12	54
Seoul	S	24	75
Singapore	C	[illegible]	[illegible]
Stockholm	S	22	72
Strasbourg	S	21	70
Sydney	F	17	63
Taipei		–	–
Tangier	C	20	68
Tel Aviv	C	23	73
Tenerife	C	19	66
Tokyo	S	25	77
Toronto †	S	16	61
Tunis	F	26	79
Valencia	F	24	75
Venice	S	19	66
Vienna	F	18	65
Warsaw	F	25	77
Washington †	Fg	[illegible]	[illegible]
Zurich	S	20	68

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

BT plays a canny hand

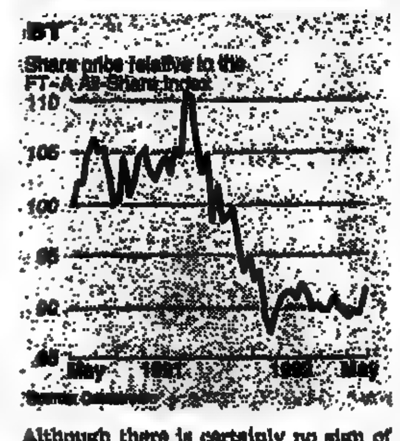
Yesterday's annual figures from BT provided a model of regulator and investor relations. Other unloved monopolies, notably British Gas, would do worse than take notes. The novel, if tiny, fall in BT's pre-tax profits and the more substantial slippage of its rate of return were elegant reminders that the regulatory regime has indeed begun to bite. At the same time, the 8 per cent dividend increase and assurance that the payout will not be directly linked to a declining earnings stream were designed to keep shareholders sweet.

Given that Oftel is shortly to complete a review of BT's prices, the company has played a canny hand. Consumers will doubtless be hoping it has not outplayed the regulator entirely. Oftel's problem is how seriously it should take yesterday's figures as a guide to the future. While the present price formula is certainly hurting BT – fourth quarter earnings per share fell by 12 per cent – it is not clear that it should be eased just because inflation has fallen. BT still has plenty of scope for job cuts and will continue to generate huge amounts of cash.

But Oftel must also consider its general policy of encouraging competition. Unless Sir Bryan Carsberg's successor intends a radical shake-up of the entire UK industry, the likes of Mercury will find it harder to wrest market share if BT's price cap is too harsh. Oftel might favour a gentler cap in return for giving competitors better terms of access to BT's network.

BT shares rose by 2 per cent yesterday, mainly because the market was pleased by the prospect of a smaller than expected charge from the redundancy programme to this year's profits. Were the pricing review to be favourable, the shares could rise a lot further again.

FT-SE Index: 2702.0 (-9.9)



UK economy

Yesterday's Bank of England figures on sterling lending to the M4 private sector contain something for everybody. Bulls of the economy will doubtless claim that April's £5.1bn leap shows credit demand started to pick up after the election. Bears will point to the notoriously unreliable seasonal adjustment. April's growth followed a £400m fall in March. That could suggest borrowing was deferred until after polling day. More likely the series is simply erratic.

Separate figures from the British Bankers' Association appear to offer some support for the optimistic school. Although there is certainly no sign of a recovery in construction and property lending, there is a faint stirring of activity in the manufacturing sector as well as in the wholesale and retail distribution trades. The figures for corporate borrowing must be treated with some caution, since prior weakness in the lending aggregate partly reflected a switch of borrowing activity to the bond market. Net corporate borrowing in the bond market was sharply down in April. So perhaps companies were simply turning back to their banks because the government was hogging the limelight in the bond market.

The BBA says bank lending on house purchases is not much above the level of recent months. That suggests there is not much building society component to the official money supply figures either. Had there been a sharp rise in house lending in April, estate agents would surely have been trumpeting the turnround in the market in February. All in all, the figures point to a weak recovery at best.

Farm reform

It is easy to lose count of the number of times EC farm ministers have definitively tamed the Common Agricultural Policy. As recently as the spring of 1988, Brussels was celebrating an historic accord to apply self-correcting price cuts and production limits once cereal and livestock surpluses showed signs of spinning out of control. Within 18 months it was obvious that this system was yet another in a long line of inadequate responses.

To be fair the 29 per cent cereal price cut which forms the centrepiece of yesterday's deal is deeper than anything hitherto contemplated, while the principle of paying direct income support for farmers is a genuine breakthrough. That said, there is still a danger that the politicians will be grappling with some of the same issues four or five years down the line. The explanation lies in doubts about whether the latest medicine is really harsh enough, and whether farmers will gratefully cash their compensation cheques and seek to increase output on land which is not taken out of production. The headline "set aside" target of 15 per cent will be more like 10 per cent in practice, and could be equivalent to 6-7 per cent on the assumption that farmers choose to give up their lowest yielding land. With productivity worth 2 per cent a year EC cereals output could be back to current levels in four years' time.

If food processors are to maintain their profitability they will have to respond to lower input costs with higher trading margins. Much will depend on the competitive balance between manufacturers and retailers. Branded products should be at an advantage, but in fragmented sectors like poultry the likes of Sainsbury and the consumer will be in a position to take more of the spoils.

Storehouse

There were grounds for mild optimism in Storehouse's annual results. The return to profit was mainly thanks to a second-half bounce in the BhS chain which Mr David Dworkin has done much to improve. Now promoted to chief executive, he should be able to work the same trick at Mothercare, but the benefits will take time to accrue. Habitat, which lost £9m last year, remains an uglier proposition. Its US operation looks a prime candidate for closure. That could leave the way open for a sale of the remaining French and UK assets to management which would effect an immediate £10m boost to profits.

Whatever happens, the market has been too enthusiastic about the group's shares. After outperforming the sector by nearly 30 per cent this year, they are on the same forward rating as those of Marks and Spencer. Yet Storehouse made a mere £10m of trading profit on £1.2bn of turnover; five years ago, profit was £150m on similar turnover. At present rates of progress, the dividend will be barely covered this year. Storehouse still has much to prove.

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COMPANIES & MARKETS
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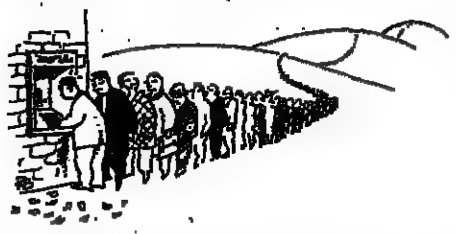
INSIDE

O&Y offers creditors financial safeguards

Olympia & York is offering its creditors financial safeguards aimed at preventing the creditors efforts to unravel the court order which has frozen the troubled developer's Canadian debt obligations. Page 19

Symbolic toe-hold in China



It may just be a simple cash dispenser, but for Hongkong Bank it is a symbolic toe-hold. The cash machine is part of the bank's foray into the vast untapped Chinese market which has seen foreign trade and investment grow rapidly in special economic zones. Page 25

A close look at sweet success

What makes a highly efficient industry resist the reduction of government control when it would benefit from such deregulation? Similarly, why does the industry, which exports nearly 80 per cent of production, need tariff protection against import competition? Kevin Brown looks at the Queensland sugar industry. Page 40

Storehouse chief steps down

Mr Michael Julien (above left) is to step down as chief executive of the UK Storehouse retailing conglomerate on medical grounds. He will be succeeded Mr David Dworkin (right), currently the chairman and chief executive of the BhS subsidiary, after the company's annual meeting in July. Results, Page 24

Japanese trading houses hit

Japan's leading trading companies, hit by a general economic slowdown and poor financial investments, yesterday reported a fall in sales and earnings for the fiscal year that ended on March 31. Overall, there was a decline in turnover from energy and chemical products as crude oil prices fell. A price drop for metals also depressed income although sales of machinery increased for some companies. Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Beiersdorf	805	+	13
Philipp Kossman	808	+	27
Eurocom	715	+	11
Falls			
Colonia Konzn	990	−	28
Douglas	592	−	23
Gerresheimer	321	−	16
Lahmeyer	774	−	23

NEW YORK ($)

Rises			
Amgen	57⅞	+	⅝
Falls			
Morgan Stanley	51	−	1⅛
Salomon	32⅝	−	⅞
US Shoe	12¼	−	2½

PARIS (FFr)

Rises			
Accor Entrepr	800	+	68
Falls			
Bancaire Cie	495	−	13
Imm de France	871	−	24
Indosuez	6500	−	290
UAP	531	−	10

TOKYO (Yen)

Rises			
Daiichi Bank	709	+	55
Komai Tekko	1070	+	105
Nihon Kentetsu	1500	+	120
Nitto Seiko	599	+	54
Falls			
Lec	20	−	11
Nichicon	1130	−	90

New York prices at 12.30.

LONDON (Pence)

Rises			
Automated Sec	144	+	18
Body Shop	320	+	10
Chesterfld Prp	318	+	20
Cupid	128	+	6
Electron House	47	+	7
Geest	438	+	13
Gerrard & Natl	320	+	18
Gestetner	134	+	9
Jerome (S)	68	+	14
Morland	433	+	25
Plysu	292	+	13
RPS	40	+	7
Suter	142	+	14
Victoria Crpt	135	+	10
Westbury	128	+	7
Falls			
Airflow Stream	110	−	5
Dixons (Wm)	283	−	47
Dolphin Packg	134	−	15
Ferry Pick	115	−	5
Merchant Retl	16	−	2
Presidio A	120	−	30
Spearhawk	15½	−	3¼

Pirelli renews Continental fight

By David Waller in Hanover

PIRELLI, the Italian tyre company, is launching its second attempt to curb shareholder voting restrictions at Continental, Pirelli's German rival in the European tyre markets.

The move represents a new outbreak of hostilities between the companies which in December last year abandoned discussions after nearly 18 months of merger talks. The news emerged yesterday as Contintal announced it would make a clear profit this year after losing DM128m ($77.50m) at the group level in 1991.

The Italian company, which owns 5 per cent of its German rival and has options over a further 34 per cent after last year's abortive takeover attempts, has linked up with one other Italian shareholder to launch a challenge to the rule which limits voting rights in Continental to 5 per cent, no matter how big the stake.

Mr Hubertus von Grünberg, Continental's chief executive, yesterday said he had spoken to advisers and was convinced the move was aggressive. It will be voted on by shareholders at the company's annual shareholders' meeting in July.

This curb, in place at a number of large German companies, is seen by the Continental management as a guarantee of its independence. It faced a similar challenge at a special shareholders' meeting last March. It lost the vote – which needs a simple majority – but the voting restriction is still in place while Continental appeals against the decision in the courts.

Pirelli said the removal of the voting curb would simply help clarify the value of its stake, and this should in no way be seen as aggressive.

However, analysts said the move could present complications for Continental's proposed DM150m rights issue, announced earlier this month as, if relations between the two companies deteriorate, Pirelli may not vote its stake for the share issue. It could also be seen as an attempt by the Italian company to obtain the highest price possible for its share stake, on the assumption that shares in Continental without voting restrictions would be worth more than with the block still in place.

Mr Grünberg said that the hostilities did not affect discussions between the two companies over the possible purchase of some of Pirelli's non-tyre businesses. Moreover the door was still open for full merger talks in "two to three years time", Mr Grünberg said. The two agreed last December it would be better to pursue rationalisation in the face of fierce international competition as independent companies rather than as a merged entity.

Sony and Matsushita have reported profit falls after years of growth

A different tune for electronics in Japan

By Emiko Terazono and Robert Thomson in Tokyo and Michiyo Nakamoto in London

After years of strong growth, Japan's mighty consumer electronics giants have run up against a wall. Faced with recession in international markets, Matsushita Electric Industrial and Sony, the largest and second largest consumer electronics groups in the world respectively, yesterday reported large profit falls and said they would be scaling back their capital investment programmes.

The results announced by the two groups brought home to the whole Japanese electronics industry the extent of the difficult trading climate and the challenge it faces in returning to better profits.

Matsushita reported a fall in operating profit of 18 per cent to Y389bn ($3bn) as it was hit by foreign exchange losses of Y62.1bn. Pre-tax profit fell 39 per cent to Y363.4bn and after-tax profit declined 49 per cent to Y132.9bn.

Sony reported a 44.1 per cent fall in consolidated pre-tax profit to Y166.3bn on a 5.7 per cent increase in sales at Y3,821bn. Net profit rose 2.7 per cent to Y120.1bn, but was boosted by the proceeds of a public offering by Sony Music Entertainment (Japan), which raised Y61.5bn.

The extent of Sony's difficulty was highlighted by a fall in the group's parent operating loss to Y20.5bn from a profit of Y72.2bn, and the company's first loss since its listing on the Tokyo Stock Exchange in 1958.

Consumer electronics manufacturers worldwide have been hit by their own failure over the past few years to stimulate consumer demand with exciting new products while large markets in industrialised countries are already saturated with colour TVs and audio equipment.

Even in Japan, where the economic growth preceding its current slowdown was expected to be a record since the war, "the consumer electronics market has been flat for the past five years", says a spokesman for Matsushita.

The leading companies in the industry have seen the difficult

The results have brought home to the Japanese electronics industry the extent of the difficult trading climate

times coming for some years. Since the mid-1980s there has been growing concern about the lack of new products to stimulate consumer demand. But attempts to introduce model changes and, in the case of Matsushita and Sony, by buying into prominent US entertainment companies, have not been as successful as they would have liked.

The results of Matsushita and Sony were affected by their need to digest the acquisitions, of, respectively, MCA and Columbia Pictures, although Matsushita boosted its consolidated sales 13 per cent to Y7,449.9bn, thanks to MCA revenues of Y480bn.

Meanwhile, efforts to stimulate demand by introducing new product models at the frenetic pace of once every six months have backfired. Japanese consumers are no longer fooled by such gimmicks while the country's Ministry of International Trade and Industry has warned the manufacturers that frequent model changes were an unnecessary waste of resources and labour time.

Matsushita said sales of video equipment remained flat at Y1,699.8bn, while audio equipment sales rose 6 per cent to Y631.7bn. Home appliances grew 9 per cent to Y982.2bn, communication and industrial equipment sales advanced 8 per cent to Y1,678.6bn, while electronic components rose 3 per cent to Y882.7bn.

Revenue from entertainment, including films and music entertainment, video and audio tapes, totalled Y628.4bn. However, Matsushita said revenues at MCA, which were included into the sales figures starting last fiscal year, fell 4 per cent because of the shortage of box-office hits.

Sony reported a 1.3 per cent decline in video equipment sales to Y896.4bn, in spite of a 6.7 per cent fall in the final quarter. For the year, audio equipment sales rose 7.5 per cent, televisions 7.3 per cent and filmed entertainment 27.8 per cent, while music entertainment fell 7.4 per cent.

The continuing weakness of the Japanese and European markets was reflected in final quarter results, when domestic sales fell 4.4 per cent on a year earlier and European sales were 1.1 per cent lower. Meanwhile, stirrings of recovery in the US saw a 14.3 per cent sales lift and total sales were 4.2 per cent higher for the quarter.

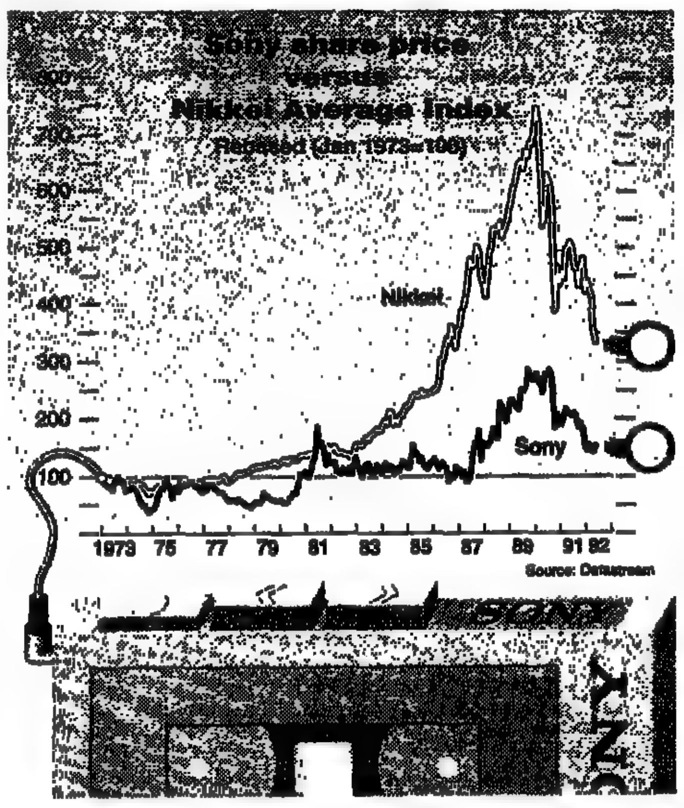
Final quarter sales figures also reflected the variability of the entertainment business, as the success of films such as Hook helped to push filmed entertainment sales 65.2 per cent higher, while music entertainment sales fell 15.8 per cent. During the three months, entertainment products accounted for 21 per cent of Sony's sales.

The consumer electronics industry does not expect to see a marked improvement until later in the year while products which they are placing their hopes on, such as digital audio tapes and interactive video systems, are being introduced only this year and will take some time to attract widespread demand.

Both companies hope that the release of new products in the domestic market and a recovery in the US and Europe will lift sales during the current year. Sony insisted that "we do not see any serious structural problems" in its size and spread of operations. For the current year to next March, Matsushita expects consolidated pre-tax profits to rise 6 per cent to Y385bn, on a marginal increase in sales of 0.7 per cent to Y7,500bn.

Sony expects a 2 per cent increase in sales at the parent company to Y2,020bn and a 45 per cent increase in net profit to rise 45 per cent to Y30bn, while research and development spending is likely to rise from Y240bn to between Y245bn and Y250bn.

Matsushita bond offering, Page 22



Fokker set on leading Dasa deal

By Ronald van de Krol in Amsterdam

FOKKER, the Dutch aircraft maker, yesterday insisted that it must remain the "leading company" in any deal that involves a majority of its shares being sold to Deutsche Aerospace (Dasa) of Germany and, possibly, to Aerospatiale of France and Alenia of Italy.

The company, which is engaged in bilateral negotiations with Dasa, said other companies such as the Aerospatiale and Alenia would be allowed to join the European consortium only if they refrained from any involvement in the development or production of aeroplanes which compete with those of Fokker or Dasa.

If these terms are accepted, the French and the Italians would be forced to give up their hopes of developing an 80 to 130-seat regional jetliner with Dasa.

Fokker is, however, leaving open the possibility that the French, the Italians and other companies such as British Aerospace would take part in a European regional jet project in which Fokker would form the nucleus.

The Dutch company said that it and Dasa were in agreement that Fokker would be the "leading company, now and in the future, in the development, building, selling and servicing of regional aircraft in the 65-130 seat range".

Fokker has always insisted it would be faster and cheaper to develop a regional jet on the basis of its existing 100-seater Fokker 100 rather than designing an entirely new aircraft, as Aerospatiale and Alenia propose to do.

Mr Erik Jan Nederkoorn, chairman, yesterday emphasised that the company was holding two sets of parallel talks with Dasa and with the Dutch government, which owns 32 per cent of Fokker's shares. It was not talking directly to the Italians or French, he said.

Earlier this week, Aerospatiale said that the Fokker talks were focused on Dasa taking a 26 per cent share, with the French and Italians to get 12.5 per cent each, giving the European "Regioliner" consortium majority control.

Mr Nederkoorn indicated that any deal would initially be between Fokker and Dasa only – partly to meet possible objections on competition grounds from the European Commission.

BT seeks less regulation as profits are held at £3.07bn

By Hugo Dixon in London

BRITISH Telecommunications, the UK telecom group, yesterday argued that its prices should be less tightly regulated following the first drop in its profits since privatisation eight years ago.

Pre-tax profits for the year to the end of March fell fractionally by £2m to £3.073bn ($5.43bn), as recession, competition and regulation took their toll on revenues. The profits dip comes as BT is in the final stages of negotiating a new price cap regime with Oftel, its regulator.

Mr Iain Vallance, chairman, argued that the lower profits would strengthen his hand in these negotiations. He said the fact that the company's return on capital – Oftel's main measure of profitability – had fallen to just under 18 per cent in the final quarter from 20.6 per cent in the previous year showed it was not making excess profits.

But BT was immediately accused of making excess profits by consumer groups, the Labour Party and the unions.

The National Consumer Council and Mr Gordon Brown, Labour's industry spokesman, demanded price cuts. Meanwhile, the Union of Communication Workers described the profits as "callous" given that the company was cutting 24,000 jobs this year.

In the City, the 8.3 per cent increase in the dividend to 14.4p, included in the results, was welcomed. More than 2m shareholders who paid 110p as a first instalment in the government's share sale last December saw the partly-paid share price rise 7.5p to 138.5p. The fully-paid price rose 8p to 360p.

Mr Laurence Heyworth, an analyst at stockbrokers Robert Fleming Securities, said they were "a sound set of results".

Mr Vallance revealed that his salary would increase 3.3 per cent to £465,000 in the year to the end of July and that his profits-related bonus had been cut from £150,000 to £90,000.

Last year, a 43 per cent salary increase provoked a public outcry and Mr Vallance was forced to reveal that he had paid his bonus to charity – a practice he is continuing this year.

Other executive directors' salaries have increased by about 3.5 per cent and their bonuses are lower than last year.

Lex, Page 16, Details, Page 24, Technology, Page 10

Smith Barney in Kidder talks

By Martin Dickson in New York

SMITH BARNEY, the New York broking house, said yesterday it had held discussions with General Electric, the parent of securities firm Kidder Peabody, about buying all or part of Kidder in what would amount to a significant consolidation of Wall Street strength.

However, Mr Frank Zarb, chief executive of Smith Barney, told staff that the firm was not now pursuing the discussions.

He was responding to a report in the Wall Street Journal that GE, which bought Kidder in 1986, had decided to sell the company and that Primerica, the financial services group which owns Smith Barney, was the front-runner to buy it. GE refused to comment on "rumours" but insisted it was "extremely pleased" with Kidder's performance.

Suggestions that GE might dispose of Kidder have circulated for years, but yesterday's Smith, Barney comments provide the firmest evidence yet that it might be prepared to do so.

Kidder and Smith Barney are broadly similar firms: both have extensive retail brokerage operations and corporate client lists which place them just outside the top bracket of investment banking advisers. Kidder ranked ninth among US firms in 1991 underwriting fees, while Smith Barney was 11th.

Kidder, acquired for $600m as part of GE's drive to build up a large financial services business, caused severe problems for its parent in the late 1980s, becoming embroiled in an insider-trading scandal that cost $26m in penalties to the Securities and Exchange Commission.

In 1990 GE had to inject $550m into Kidder to bolster its balance sheet and take over its portfolio of junk bonds.

But under Mr Michael Carpenter, Kidder's head since 1989, the firm has returned to profit. GE said yesterday the subsidiary's net income in the first quarter was a record.

Analysts said GE would be lucky to get more than book value for Kidder, which they estimated at around $400m. They pointed out that while Mr Jack Welch, GE's chairman, had a reputation for not selling assets cheaply, Mr Sandy Weill, Primerica's chairman, had a history of buying at bargain-basement prices.

BP and Banesto clash over stake undertaking

By Tom Burns in Madrid

A SIMMERING row between British Petroleum and La Corporacion Banesto, the Spanish industrial conglomerate, flared yesterday amid accusations that each bad acted in in bad faith.

At the centre of the row is an alleged undertaking by Banesto, the large retail bank that controls La Corporacion, to buy from BP 2.5 per cent of stock in the bank. This stake was held by Petromed, Spain's third largest oil refiner, which was acquired by the British company for $578m in June last year.

The British company allegedly does not want the Banesto stock, which represents Pta7.6bn ($73.07m) at current market prices, and Banesto is unwilling to purchase it.

The dispute surfaced at yesterday's annual shareholders' meeting of La Corporacion, which was attended by BP because it also owns 2 per cent of the conglomerate's equity as a result of the Petromed purchase.

BP's representative at the meeting first irritated Mr Mario Conde, chairman of La Corporacion and Banesto, with questions from the floor. He then voted against the approval of La Corporacion's 1991 accounts.

BP's defiant stand broke the traditionally complacent and self-congratulatory atmosphere of such meetings in Spain. The UK company's spokesman put 16 questions to La Corporacion's board that probed allegedly over-valued investments, consultant's fees and loans.

Although BP had already put the questions in writing to La Corporacion, the representative said the replies were "incomplete and contradictory". The chairman of La Corporacion said the questions were a device for pursuing grievances which had nothing to do with the meeting. He said arbitration was the proper mechanism to resolve such disputes.

BP later said it had voted against La Corporacion's annual report because it "disagreed with certain dealings" undertaken by the holding company last year and had failed to receive a satisfactory explanation.

Mr Arturto Romani, chief executive of La Corporacion, later denied the conglomerate was under any obligation to repurchase any stock held by BP in Banesto.

In 1991, La Corporacion's consolidated net profits fell by 48 per cent to Pta12.6bn, and its dividend per share was reduced from Pta233 to Pta65.

UK grocery chain alters accounting policies

By John Thornhill in London

WM Morrison Supermarkets, the UK grocery chain, yesterday announced a significant change to its accounting policies by choosing to depreciate its land assets.

The company said the change was prompted by the "interest of prudence" recognising that the alternative use value of its sites might be significantly less that their food retailing value.

The move could increase shareholder pressure on other food retailers to follow suit, threatening a significant dilution in their earnings.

The share prices of all the leading food retailers were unsettled yesterday. Morrison slipped 5p to 369p, while J. Sainsbury fell 7p to 458p, Tesco shed 6p to 274p and Argyll Group, which runs Safeway, slid 6p to 351p.

Mr Tony Shiret, food retailing analyst at Crédit Lyonnais Laing, said: "The fact that Morrison's has acknowledged the argument on alternative value will put the other food retailers under increased institutional pressure to do likewise."

Mr Shiret argued in a recent circular that the big food retailers were significantly overvaluing their property portfolios by failing to provide for such depreciation.

Mr Shiret estimated that the effect of adopting "prudent" depreciation policies would depress Tesco's earnings per share in the year to spring 1993 by 21 per cent.

J. Sainsbury would suffer a 15 per cent reduction and Argyll Group, which runs the Safeway chain, an 11 per cent dilution.

Asda is expected to announce a substantial write-down on its property assets when it reports its results this summer.

Mr Kenneth Morrison, chairman, told shareholders yesterday that the company would depreciate all land, whether in use or not, by 1 per cent a year from the beginning of the financial year.

Fiat boosts expansion programme

Haig Simonian on the Italian car maker's investment in Poland

By agreeing to take 90 per cent of a new company to be formed with Poland's FSM cars group, Fiat, Italy's biggest private sector company, has moved a decisive step forward in its international expansion. However, the accord also involved a substantial increase in the the original size of its planned investment.

In the memorandum of understanding signed by Italian and Polish negotiators last October, Fiat commited itself to taking just 51 per cent of FSM. That would have given the Turin-based company management control over the Polish group in which it had invested $800m in a project to create and build in Poland its new Cinquecento mini-car.

The new car, introduced to the Italian market in March, has had considerable success. Early orders have already exceeded 40,000, while the 20,000 deliveries so far played a role in helping Fiat appreciably to improve its share of the domestic car market last month. Production of the Cinquecento is to be increased to 240,000 a year.

But the deal signed in Warsaw on Wednesday night involves a much bigger commitment by Fiat than originally planned. Its stake in FSM has risen to 90 per cent, while the overall size of its Polish investment will reach around $2bn over the coming years.

Fiat is in the early phases of a huge L47,000bn ($39bn) 10-year investment plan to revise its entire model range and build a big new assembly plant and engine facilities in southern Italy. But last week, the group announced a 30 per cent drop in net profits for 1991, while its net financial position slipped into the red for the first time since 1986. With its finances stretched, what persuaded Fiat to step up its Polish commitment?

The group's Polish activities stretch back to 1921, when it set up a subsidiary there. In 1971, FSM started producing Fiat 126 cars under licence, followed five years later by the Polonez, based on Fiat's 125 model. Talks on taking a direct stake began soon after Poland's democratic reform. Wednesday's agreement marks the biggest step so far in Poland's privatisation programme.

Andrzej Olechowski, Polish finance minister (right), Renato Ruggiero, Fiat deputy chairman, and Paolo Cantorella (left), Fiat director, at the signing of the protocol

The new arrangement will allow Fiat to integrate the Polish company, which employs about 23,000, much more closely into its group operations. After selling SEAT in Spain to Volkswagen in the mid-80s, Fiat has been exposed among Europe's leading car producers in not having any significant production capacity outside its home market.

With the example of VW's purchase of Skoda in Czechoslovakia still familiar, the Italians may have sought a similar arrangement for themselves.

Meanwhile, costs in Italy have been rising fast. In his letter to shareholders earlier this year, Fiat's chairman, Mr Giovanni (Gianni) Agnelli warned of the competitive disadvantages increasingly facing Italian manufacturers. At over 6 per cent, Italian inflation remains stubbornly above France and Germany. The labour market is inflexible, while industry suffers also from less obvious hindrances like poor public services.

Despite the disincentives, the company is investing heavily in southern Italy – helped by some sizeable government investment grants. However, it may have felt the time had come to lay down a bigger marker elsewhere.

The Polish investment may also reflect difficulties in Fiat's other big east European project – the planned purchase of a stake in VAZ, Russia's biggest car maker. The VAZ deal, which is still under negotiation, was itself a substitute for a much more ambitious venture to build an entirely new car plant at a greenfield site at Yelabuga.

After Yelabuga was put on hold, largely as a result of the increasing financial problems facing the then Soviet Union, the VAZ proposal was put forward instead. Now, even that has melted into the background, although company officials say it has not been laid to rest.

Fiat's strong interest in east European markets was highlighted last month when Mr Renato Ruggiero, Italy's former foreign trade minister who sits on the company's board and has responsibility for its international affairs, visited Kazakhstan. He met local leaders for exploratory talks on the possibility of setting up a new car plant.

Developments in Fiat's model strategy may also have influenced its new Polish strategy. Rather than just build the Cinquecento, the deal with FSM involves the creation of a second model programme, designed to replace the 126 mini-car.

Like the Cinquecento, the new model will be devised with both western and eastern European customers in mind.

To keep costs down and provide an adequate margin on such low-priced models, production for eastern European markets will be concentrated in Poland.

Polish venture lifts Milan, Page 43

The prospect of over 5,000 layoffs following Fiat's purchase of a 90 per cent stake met a hostile reaction among the 23,000 workers currently employed in FSM's two plants at Bialsko Biala in southern Poland. A spokesman for the Solidarity trade union said three unions had called a strike alert, which is often the first stage leading to strike action, writes Anthony Robinson.

Although weakened by the recession which has seen industrial production in state-owned enterprises slump 40 per cent over the last two years, the trade unions and the workers councils still retain allegiance among workers fearful of layoffs and affected by the government's "popiwek" tax designed to keep wage increases below the rate of inflation.

AEG expects to break even next year

By Christopher Parkes in Bonn

AEG, the troubled Daimler-Benz subsidiary, will break even in 1993 at the latest, according to Mr Ernst Georg Stöckl.

Although group turnover will fall this year as a result of withdrawing from cable and office equipment manufacturing, sales had already risen 6 per cent in the first four months of 1992.

Mr Stöckl said he expected a 10 per cent overall increase to DM12bn ($3.54bn) for the full year, compared with DM14bn for 1991.

Confirming losses of DM624m in 1991, he said the only divisions to make any profits were the core electrical components and transmission business and the domestic appliance subsidiary.

Responding to persistent rumours that AEG appliances is to be sold, Mr Stöckl said it was working at full capacity and would remain part of the group.

Deutsche Bank slows

By Andrew Fisher in Frankfurt

DEUTSCHE Bank, Germany's largest bank, yesterday said its profits growth had slowed this year and Mr Hilmar Kopper, chief executive, indicated that there was little chance of a further dividend rise.

Operating profits in the group grew by 10 per cent in the first four months and by 4 per cent at the parent bank. The comparison is with one third of last year's total profit. Commerzbank recently reported a 70 per cent jump in the first two months, although the rise was 25 per cent if compared with one sixth of last year's full result.

Mr Kopper said that the credit situation was worsening in parts of the German economy and it was thus too early to forecast a rise in the dividend.

Last year, the bank raised operating profits by 16.5 per cent to nearly DM6bn ($3.6bn) and is lifting the 1991 distribution by DM1 to DM15 a share.

Control of Seleco sold

By Haig Simonian in Milan

ITALY'S privatisation programme moved a small step forward yesterday with the transfer of formal control of Seleco, one of the country's best-known consumer electronics companies, to a group of private investors headed by Mr Gian Mario Rossignolo and Mr Hans Werthen.

Mr Rossignolo is chairman of Zanussi, the Italian white goods group owned by Electrolux of Sweden, while Mr Werthen is honorary chairman of the Swedish concern. Together, they control Sofin, a private company which has run Seleco since 1989.

However, formal control of Seleco has remained with REL, a company set up in the early 1980s to save troubled consumer electronics groups following an industry crisis. Seleco, formerly part of the Zanussi group, came under the control of REL in 1983.

INTERNATIONAL COMPANIES AND FINANCE

O&Y offers safeguards to fend off creditors

By Bernard Simon in Toronto

OLYMPIA & York has offered its creditors financial safeguards aimed at thwarting their efforts to unravel the court order which has frozen the troubled developer's Canadian debt obligations.

An O&Y lawyer urged an Ontario court yesterday not to make any exemptions from the order, granted last week under Canada's Companies Creditors Arrangements Act.

If the restructuring of O&Y's US$12bn debt is to have any chance of success, he said, creditors must be kept at bay and no creditor should be given an advantage.

In return, O&Y has proposed to identify all revenues and expenses according to the asset to which they relate, and to set up separate bank accounts for each asset.

Administrative and restructuring costs of the parent company, Olympia & York Developments, would be allocated on an unspecified proportionate basis among the various assets.

O&Y made its offer in response to a slew of motions submitted by disgruntled creditors, represented by about 40 lawyers, at yesterday's hearing.

The lenders' main concern is to prevent any "co-mingling" of funds between O&Y's Canadian operations, and its businesses in the US and Britain, which are not subject to court protection.

One motion seeks to halt the proposed sale later this month of O&Y's 18 per cent interest in Santa Fe Pacific, the Chicago-based railway and mining company.

In addition, holders of securities backed by individual buildings are seeking exemption from the CCAA order to enable them to seize rents in lieu of overdue interest.

Mr Bernard Wilson, the Price Waterhouse partner appointed as a liaison between O&Y and its lenders, assured the creditors in an affidavit that he expected to be able to review revenues and expenses on each property, "and the application of any excess".

Mr Wilson said he planned to present his first report to the lenders on June 15, and at monthly intervals after that.

Lawyers for the banks responded cautiously to O&Y's proposals, but several described them as a step in the right direction. The court is not expected to rule on the various creditor motions for several days.

Meanwhile, O&Y and some of its bank lenders have joined forces to prevent disgruntled commercial paper holders from forming a committee to press their claims.

The commercial paper is secured by Exchange Tower, a 36-storey building in Toronto. O&Y has failed to conclude a sale-and-leaseback deal on the building, which would have allowed it to redeem about C$150m (US$126m) in outstanding commercial paper.

It emerged at a five-hour meeting in Toronto that the company and several of its bank lenders hold substantial quantities of the commercial paper themselves. Other holders, including Merrill Lynch, the securities firm, were unable to muster the two-thirds majority necessary to form the committee.

State works help big Japanese builders

By Robert Thomson in Tokyo

THE volatility of Japan's property market slowed orders for most contractors in the fiscal year just ended, though a steady flow of public works business bolstered revenue for the industry's larger companies.

The striking contrast between the larger contractors with a broad business base and the smaller concentrated on housing and resort development was highlighted by the vastly different earnings statements released yesterday by Kajima, a general contractor, and Nichimo, an apartment builder.

Kajima reported a 14.7 per cent increase in sales, to Y1,951bn ($14.67bn) and a 20 per cent increase in pre-tax profit, to Y123.9bn. Nichimo Corporation, meanwhile, suffered a pre-tax loss in its first half to the end of March of Y4.9bn, compared with a profit of Y3.5bn in the same period last year.

It also revealed a 59.5 per cent fall in sales, to Y17.5bn, and a 10 times increase in inventory to 2,300 apartments.

Although housing starts in Japan last year fell from 1.7m to 1.37m, even the reduced production was still too much for a market damaged by a spate of speculative building in the late 1980s. Meanwhile, civil engineering contracts rose by 6.9 per cent last year, and public construction works were 18.5 per cent higher.

Contractors are hoping to benefit from the Japanese government's plan to stimulate the economy by increasing budget outlays in the first half of the year, and its promise to expand investment in infrastructure.

A construction industry leader, Obayashi, was bruised in spite of the cushion provided by public works spending. It reported a 12.5 per cent fall in pre-tax profit to Y52.8bn, on a 13.3 per cent increase in sales to Y1,509bn.

Obayashi blamed the fall on an increase in interest payments on loans taken to cover bills unpaid by the company's customers, and by appraisal losses of Y5.6bn on securities holdings. For the current year, it is expecting a slight increase in profit to Y55bn on sales of Y1,610bn.

And the current period will not be as buoyant for Kajima, which is forecasting that pre-tax profits will fall by almost 20 per cent to Y103bn on marginally higher sales of Y2,000bn.

It reported that short-term holdings of land expanded from Y196bn to Y239.9bn, apparently as a result of the difficulty in offloading new properties, while its unrealised gains on short-term stocks fell from Y186.5bn to Y115.8bn last year.

Two other leading contractors, Shimizu and Taisei, announced profit increases. However, they also expect the current year to be more difficult. Shimizu reported a 7.5 per cent lift in pre-tax profit to Y124.5bn, on a 13.1 per cent increase in sales to Y2,130bn, though orders received rose by only 2 per cent during the year.

For the current year, Shimizu's sales are expected to grow by about 3 per cent to Y2,200bn, while pre-tax profit will remain at around Y125bn.

Taisei reported an 18.9 per cent rise in pre-tax profit, to Y96.4bn, and is expecting a 6.8 per cent rise this year. Sales were 10.9 per cent higher at Y1,717bn, though revenue from housing construction fell 6.2 per cent and the company reported Y8.3bn in appraisal losses on securities holdings.

Losses at Enichem up to L742bn

By Haig Simonian in Milan

LOSSES at EniChem, the troubled Italian state-owned chemicals group, leaped in 1991, to L742bn ($615m) after minority interests, compared with L86bn in the previous 12 months.

Before minorities, losses rose more than 10 times to L722bn from L68bn in 1990, while at parent company level losses amounted to L732bn. A dividend, cut to L15 a share last year, will not be paid. Group sales fell by 6 per cent to L13,424bn.

The result, which was worse than expected, confirms the immense difficulties facing the group, which re-entered the public sector after the collapse of the Enimont joint venture and sale of its stake by Montedison in November 1990.

EniChem, Italy's biggest chemicals company, has failed to get to grips with the severe problems facing the world chemicals industry. Long-awaited disposals and strategic alliances to move away from base chemicals have been put off, and large-scale redundancies and plant closures have been pushed aside by political considerations. Meanwhile, wrangles within EniChem and with its parent, the Eni energy and chemicals holding company, have complicated matters.

EniChem blamed its results on the sharp fall in product prices due to weak demand and over-capacity in many sectors of the industry. The effect of declining prices, not matched by a drop in raw materials costs, was reflected in the collapse of operating profits, to L77bn from L743bn in 1990.

The group's problems have been severely exacerbated by the extreme weakness of its balance sheet, which has left it under-capitalised and facing a heavy debt burden. This has only been partly mitigated by the transfer of some activities, notably refineries and the heavily loss-making fertilisers operation, to other parts of the Eni group.

Although net debt fell by L1,337bn to L7,004bn at the end of last year, the figures mask contrasting tendencies. While just over L2,850bn of debt was shifted off the balance sheet though the transfer of activities to Eni, borrowing increased by over L1,500bn to help finance cash-flow and maintain investments.

Argentina approves gas privatisation

By John Barham in Buenos Aires

ARGENTINA'S congress has approved controversial legislation allowing privatisation of the state-owned natural gas monopoly.

The government may now go ahead with its stalled plans to break up the company, Gas del Estado, and sell its transport and distribution networks to private investors in an operation expected to raise about $2.7bn.

The Gas del Estado (GDE) sale will be one of Argentina's largest privatisations, following the sale in 1990 and 1991 of its telephone network and airline. The government intends to sell off almost all federally-owned companies by the end of 1992. YPF, the national oil company, is being prepared for privatisation in 1993.

The legislation was held up for months by provincial politicians representing gas producing regions. Government officials say they expect to announce a call to tender by September and award individual business units to investors by December, three months later than planned.

The legislation splits GDE's trunk pipelines into two companies covering the north and south of the country.

Morgan Stanley rises to $139m

By Martin Dickson in New York

MORGAN Stanley, the New York investment bank, yesterday continued Wall Street's spate of strong earnings when it reported first-quarter net income of $139.1m.

The profits were ahead of the $120.1m reported in the first quarter of last year, but the figures were not directly comparable because the company has changed the end of its first quarter to April from March in previous years.

Morgan Stanley, which this week lead-managed the sale of General Motors' $2.1bn share offering, the largest ever by a US company, has been benefiting from a rising stock market and a boom in new issues of equity.

However, its shares dropped in morning trading yesterday, to stand at $51⅜, down $1¼, at lunchtime.

Mr Richard Fisher, chairman, said investment banking revenues were supported by an active equity underwriting calendar and increased financial advisory revenues.

Global sales and trading activity remained strong, although somewhat below the record levels seen in the first quarter of last year.

The figures were helped by the realisation of investment revenues from its stake in Coltec Industries, a company which was floated on the stock market during the period.

Earnings per share for the quarter totalled $1.62, against $1.54 in the first quarter of last year, while revenues were $803m, against $748m.

Investment banking revenues were $270m, up from $187m. Morgan Stanley's trading revenues on its own account dropped from $398m to $291m, while investment revenue rose from $5m to $31.2m.

Weak demand keeps Navistar in red

By Martin Dickson

NAVISTAR, the leading US manufacturer of medium and heavy trucks, yesterday reported a second-quarter net loss of $35m. It predicted that weak demand would keep it in the red for the third quarter.

The loss, which worked through at 17 cents a share, compared with a loss of $29m, or 15 cents a share, in the same period of 1991. Sales and revenues totalled $914m, down from $940m, while shipments dipped 17 per cent, from 21,200 units to 17,500.

The company blamed the shipments drop on lower demand for school bus chassis. Navistar, which has a particularly large share of the school bus market, said some fleets had been deferring purchases.

"While there has been a clear, but selective, improvement in heavy truck demand," said James Cotting, Navistar's chairman, we have not as yet seen the same signs of recovery in the market for medium trucks and school buses."

Navistar said it had maintained its position as sales leader in the North American retail market for medium and heavy trucks, with a 26.3 per cent market share in the first half. This, however, was down from 29.3 per cent for the same period of 1991.

The company's backlog of orders for heavy trucks rose 41 per cent from levels of a year ago, but medium truck and bus orders declined 14 per cent.

For the first six months, the company reported a net loss of $67m, or 32 cents a share, compared with a net loss of $67m, or 33 cents, in the same period last year.

INTERNATIONAL COMPANIES AND FINANCE

JAPAN'S BIG SIX SUFFER FROM GLOBAL ECONOMIC SLOWDOWN AND SOUR FINANCIAL INVESTMENTS

Trading companies post fall in earnings, sales

By John Burton in Tokyo

JAPAN'S big six trading companies yesterday reported an expected fall in both sales and earnings for the fiscal year that ended March 31 due to the global economic slowdown and sour financial investments.

Weaker domestic demand curbed import revenues, while there was also a decline in income from third-country transactions.

In terms of product sectors, there was a decline in turnover from energy and chemical products as crude oil prices fell. A price drop for metals also depressed income. But sales of machinery rose for some companies.

Most of the trading houses expect that pre-tax earnings will remain flat or rise only slightly during the current fiscal year reflecting the gradual recovery of the global economy.

Earnings were squeezed last year because of higher interest rate payments and lower returns from financial investments with the drop in Japanese share prices.

C. Itoh & Co retained its position as the world's biggest trading company with Y20,000bn ($154.26bn) in sales, but it suffered its first profit fall in five years with pre-tax earnings declining by 16.7 per cent to Y45.28bn.

It blamed the earnings fall on increased financial expenses that reflected higher interest costs and a growth in loan write-offs and loss reserves.

After-tax profits plunged by 42.7 per cent to Y10.9bn as extraordinary losses amounted to Y5.9bn.

C. Itoh predicts that sales will fall slightly to Y19,000bn in the current fiscal year, while pre-tax profit will be steady at Y45bn.

The after-tax profit is expected to increase to Y12bn.

Sumitomo reported an 18.1 per cent fall in pre-tax earnings to Y63.25bn as its net financial income was cut by 48 per cent to Y13bn.

This reflected a decline in net interest and dividend income and losses on securities.

Sumitomo predicts that pre-tax earnings will increase slightly to Y66bn as sales nudge forward to Y19,000bn.

After-tax profits are expected to reach Y34bn.

Marubeni had the sharpest pre-tax earnings setback among the top trading companies with a 29.9 per cent drop to Y38.4bn. Its deficit on net financial items nearly doubled to Y20.6bn due to a fall in interest and dividend income. But its after-tax profit increased by 2.2 per cent to Y17.4bn as extraordinary losses eased.

It expects that pre-tax and after-tax earnings will remain steady this fiscal year, while sales will decline slightly to Y17,000bn.

Mitsui and Co performed better than than its competitors with a 7.1 per cent fall in pre-tax earnings to Y61.4bn. It narrowed its deficit in financial income to Y5.9bn from Y19.8bn in the previous fiscal year.

Its after-tax profit grew by 1.7 per cent to Y22.6bn as it reduced its extraordinary losses, mostly connected with the ill-fated Iranian joint venture petrochemical project, to Y10.2bn from Y29bn a year ago.

It expects moderate rises in its pre-tax and after-tax earnings to Y62bn and Y23bn respectively in the current fiscal year, while sales will increase by 2 per cent to Y16,500bn.

Mitsubishi Corp had the highest pre-tax profit at Y85.89bn among the main trading companies, although it represented a decline of 8.9 per cent. It explained that the fall was due to expanded investments and lower financial income.

Mitsubishi, however, was the only trading house to predict a significant earnings drop this fiscal year, despite a slight rise in sales to Y16bn.

It estimated that pre-tax earnings will fall by 20 per cent to Y70bn and after-tax profits by 25 per cent to Y30bn. But analysts cautioned that Mitsubishi is normally conservative in its forecasts.

Nissho Iwai had the sharpest fall in sales with an 18.2 per cent decline to Y10,900bn with a corresponding drop in domestic transactions, which account for 40 per cent of its business. It also was somewhat pessimistic about the earnings outlook for the current fiscal year.

It predicts a 5.4 per cent decrease in pre-tax profits to Y20bn.

JAPANESE TRADING COMPANIES' RESULTS

	Sales (Y '000bn)		Pre-tax profits (Ybn)		Net earnings (Ybn)	
Itoh & Co	20	(-2.8%)	45.28	(-16.7%)	10.9	(-42.7%)
Sumitomo Corp	18.7	(-2.3%)	63.2	(-18.1%)	33.3	(-8.8%)
Marubeni Corp	18.2	(-4.1%)	38.4	(-29.9%)	17.4	(+2.2%)
Mitsui and Co	16.16	(-11.4%)	61.4	(7.1%)	22.6	(+1.7%)
Mitsubishi Corp	15.69	(-9.9%)	85.89	(-8.9%)	40.2	(-6.4%)
Nissho Iwai Corp	10.9	(-18.2%)	21.1	(-13.8%)	9.0	(-6.3)

Nippon Shinpan hit by slowing demand

By Emiko Terazono in Tokyo

NIPPON Shinpan, the leading Japanese consumer credit company, suffered declines in non-consolidated profits for the year to March due to slowing consumer demand and larger interest burdens.

Non-consolidated pre-tax profits fell 10.7 per cent to Y11.8bn ($91m) on a 6.3 per cent rise in revenues to Y352.1bn. After-tax profits fell 14.1 per cent to Y6bn.

Revenue from card credits rose 15.1 per cent to Y900bn. However, shopping loans fell 0.3 per cent to Y866.4bn and loans declined 15.9 per cent to Y1,435.8bn.

Financial costs rose 7.3 per cent to Y166.5bn. The company posted profits of Y10.5bn from sales of its stock investments, while realised losses on stock holdings totalled Y3.2bn.

For the current year to March 1993, Nippon Shinpan forecasts an 8.2 per cent rise in revenues to Y381bn and a 0.8 per cent increase in pre-tax profits to Y12bn.

Alcoa in manufacturing venture with Bahrain group

By Barbara Durr in Chicago

ALCOA, the world's largest producer of aluminium, and Al Zayani Investments WWL of Bahrain are to form a joint venture to manufacture plastic bottle caps for the growing Middle Eastern beverage market.

Under the agreement, to be completed next month, the venture, called Gulf Closures, will immediately begin construction of a new plant in Bahrain.

The plant is scheduled for start-up in the first quarter of 1993 and will produce over 200m compression-moulded plastic closures by the end of next year. By 1997, it is expected to make more than 550m closures annually.

Alcoa Closure Systems International, an Alcoa subsidiary and the world's largest producer of plastic and aluminium closures and capping equipment, will own 49 per cent of the Gulf Closures.

Mr Timothy Leveque, ACSI's president, said the decision to go ahead with the joint venture was based on better economic conditions in the Middle East and an improving market for consumption of cold beverages. "Worldwide beverage companies are targeting the Middle East for market development," he said.

The introduction of advanced packaging systems, including returnable plastic containers, is expected to spur consumption. Per capita consumption of soft drinks is 27 litres a year in Saudi Arabia, 23 litres in Egypt and 18 litres in Bahrain, against US consumption of 180 litres a year.

Al Zayani Investments has interests in banking, services tendering, hotels, property and light manufacturing.

Seagram backs Du Pont over environment

MR EDGAR BRONFMAN, chairman of Seagram, the international drinks group, fully supports Du Pont of the US in its efforts to phase out production of chemicals that may affect the ozone layer and find safer products for refrigeration and other uses, writes Robert Gibbens.

Mr Bronfman was replying to Vancouver Greenpeace campaigner Mr John Mate, who said the environmental movement plans a multi-million dollar international campaign against all producers of CFCs and HCFCs, including Du Pont, ICI, and European firms.

In a presentation at the Seagram annual meeting, Mr Mate claimed the distiller was condoning the destruction of the ozone layer because it held almost 25 per cent ownership of Du Pont.

Indonesian shareholder to sell part of Astra stake

By William Keeling in Jakarta

ASTRA International, Indonesia's second largest conglomerate, has confirmed that the Soeryadjaya family, which has a 76 per cent stake in the company, is to sell part of their holding.

Bankers say the sale is required for the family to support the troubled, privately owned Bank Summa in which they are majority shareholders.

Astra accounts for over half of Indonesia's vehicle sales and has distribution rights for Toyota, Peugeot, Isuzu, BMW and Renault.

Vehicle sales have dropped by 40 per cent against 1990, brokers say, and profits are forecast to fall by 15-20 per cent this year from Rp210bn ($103m) in 1991. Bank Summa has suffered from customers defaulting on car purchase loans, as well as a fall in the property development market.

Its shareholders have recently injected Rp300bn in new capital and Summa is discussing a possible merger with Bank Danamon, Indonesia's second largest private bank, which has reportedly provided Summa a Rp100bn loan.

Astra declined yesterday to state how many shares the Soeryadjayas would sell of to whom. Brokers say the family may be preparing to sell up to 90m shares, almost half their holding, worth Rp1,125bn at the current market price.

Brokers say possible buyers include General Electric of the US, Temasek (a Singapore government investment fund), and Toyota of Japan. Brokers welcomed the possibility of a large foreign partner being taken on board.

Astra accounts for about 7 per cent of Jakarta's stock market capital.

Los Angeles riots cost insurers $775m

THE recent riots in Los Angeles have cost insurers an estimated $775m – making the events of early May by far the most expensive civil disorder ever seen in the US, writes Nikki Tait.

According to the Insurance Information Institute, the LA losses easily exceeded those resulting from the 1965 Watts riots, also in Los Angeles.

At the time, the Watts riots caused $44m in insured losses. After allowing for inflation, this would equate to about $183m today.

The latest LA riots rank fifth in terms of catastrophic losses for the insurance industry. The worst damage came from Hurricane Hugo, which cost insurers about $4.2bn.

This was followed by the Oakland fire disaster last year ($1.26bn).

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Intensive talks on securities sector

By Richard Waters

A SERIES of intensive discussions over the next two and a half weeks could lay the foundations for the future structure of the securities industry in Europe. The subject: the amount of capital needed by investment firms in the EC.

After four years of debate, Commission staff led by Sir Leon Brittan, the EC Commissioner responsible, finally put a compromise to EC ministers earlier this week. If all goes well, ministers will be asked to give their formal approval on June 9.

The rules in the proposed Capital Adequacy Directive will apply both to non-bank investment firms (including the investment subsidiaries of banks), and to banks' "trading books" – the part of their balance sheet on which they conduct their investment business.

Divisions between member states remain, though. Reservations expressed at Tuesday's meeting revealed a number of important areas which are still open to debate. They include:

● How much capital should firms have to back their large exposures? Previous proposals would have prevented investment firms from taking on exposures of more than 25 per cent of their capital base – effectively restricting underwriting and block trading of securities to large well-capitalised banks.

Leon Brittan: compromise put to EC ministers

The compromise put forward this week will do away with this so-called "hard limit", though it will introduce severe capital rules for large positions, particularly those which remain on an investment firm's books for longer than 10 days. This compromise still concerns some member states where investment business is dominated by large, well-capitalised universal banks, such as Germany. It could also pose significant difficulties for the handful of institutional brokers in the UK which are not owned by banking groups, and so do not have ready access to capital to back their exposures.

● How much subordinated debt should firms be allowed to count as capital for regulatory purposes? The directive introduces a new type of capital, known as "tier three" capital – effectively short-term subordinated debt. Parallel discussions over a global accord on capital adequacy, between Iosco and the Basle committee of banking supervisors, proposed earlier this year that tier three capital should be restricted to 250 per cent of other capital. This has yet to be accepted by all EC member states.

● Should tier three capital be allowed to back all of an investment firm's risks? There is little dispute that it should cover position risks. But it is still unclear whether tier three capital will count against large exposures or the counterparty risks which arise from trading derivative instruments.

● What exactly is a "trading book"? The definition is important: anything not on the book will be caught by more stringent capital rules.

The dividing line is a difficult one to enforce. Where, for instance, should repurchase agreements (or repos) fall? If they are allowed on the trading book, then the directive could encourage disintermediation of the banking system. Rather than offering secured loans, financial institutions could offer reverse repos (arrangements under which they buy securities with an agreement to sell them back again at a later stage). The effect of the product would be the same, the capital needed to back it would be less.

However, keeping repos off the trading book could stem the rapidly-growing repo market in London, which investment banks use to finance themselves.

One suggestion is that repo business done between professionals (broadly, investment firms and banks) should qualify for the trading book, but this restrictive definition may not fit the realities of the repo market in all centres.

Even if final agreement on all these matters can be reached at the meeting of ministers on June 9, it is debatable whether the final form of the directive will be agreed. Consultation is due to start this summer on similar proposals developed by Iosco and the Basle committee, and it seems unlikely that EC ministers will want to set in stone rules for European investment firms which may eventually be out of line with rules agreed globally.

However, Portuguese representatives may want to reach a broad political agreement on the issue before the Portuguese presidency of the EC ends next month. If they succeed, it could be difficult for other member states to reopen the issue in future.

French call for rigour in company reports

By Alice Rawsthorn in Paris

FRENCH companies should be more rigorous in their reporting of financial information according to the Commission des Opérations de Bourse (COB), the watchdog for the French stock market.

In its 1991 annual report, which was published yesterday, the COB criticised French companies for inaccuracies and irregularities in their presentation of financial information. It also alleged that some companies did not disclose enough information in their annual reports. The COB's call for more rigorous reporting – an issue which is often commented on within the French financial community – comes at a time when the French government is engaged in a series of reforms intended to complete the modernisation of France's financial markets.

Earlier this spring the government announced its intention to abolish the right to make "partial" bids for only 66 per cent of a company's equity. Meanwhile, the stock market authorities are finalising plans to make block trading - transactions involving large numbers of shares - easier in Paris.

These changes coincide with the wider reforms of the socialist government's partial privatisation programme and it plans for pension reform. Mr Pierre Bérégovoy, France's long-serving finance minister who recently became prime minister, is seen as a prime mover behind these changes.

Mr Jean Saint-Geours, president of the COB, used its 1991 annual report to stress the need for scrupulous standards among French companies. He said the current difficulties could "increase the temptation for companies to confuse fiction with fact and to mislead the public". He cited four companies - Sedri, Concept, SMT Goupil and Asystel – which had released misleading or inaccurate information. Two years ago the COB was empowered to initiate legal proceedings against such companies.

National Australia Bank net profits ahead at midterm

By Bruce Jacques in Sydney

NATIONAL Australia Bank, one of Australia's four major national trading banks, has reversed two years of falling earnings to achieve a 12.3 per cent increase in net profits to A$405.6m (US$307.2m) for the six months ended March, 1992.

The Melbourne-based group, which is holding its interim dividend at 22 cents a share, says doubtful debt charges fell from A$455.7m to A$412.6m.

Mr Don Argus managing director, points to "some tentative signs of economic recovery".

National's report was in marked contrast to Wednesday's half-year results from Westpac, Australia's biggest trading bank, which declared a A$1.67bn loss following huge property portfolio write-offs.

The major point of contrast was the performance of the two banks' finance offshoots. National's Custom Credit turned a A$83.7m loss into a A$6.4m profit, but Westpac's Australian Guarantee Corporation incurred a A$719m loss, mainly as a result of property exposure.

National's UK and Irish banking operations acted as the main brake on earnings with a contribution declining by almost 28 per cent to A$120.1m. The operations include the Clydesdale, Northern Yorkshire and National Irish groups.

National's Australian trading and savings banks incurred a modest 0.3 per cent earnings fall to A$279.8m following a 3.1 per cent rise in bad loan charges to A$212.1m.

The UK and Irish banks bore the brunt of the bad loans with write-offs rising from A$97.5m to A$201.4m. The biggest contributor was Yorkshire Bank where charges jumped from A$62.9m to A$156.2m.

The most tangible sign of pessimism in National's result was an increase in problem loan provisions from A$3.86bn to A$4.25bn on the widest definition.

But Mr Argus did address the matter of property valuations in the wake of the Westpac shock. He said the continued decline in property values in Australia remained a major influence on the group's provisioning and write-offs.

Mr Argus indicated that National's Tier 1 capital ratio stood at 7.9 per cent at March, against a reserve bank minimum requirement of 4 per cent.

Havas sees imminent growth in profits

By Alice Rawsthorn in Paris

HAVAS, a leading player in French media and tourism, should return to profits growth this year after sustaining a fall in profits in 1991 according to Mr Pierre Dauzier, president.

Mr Dauzier yesterday told an analysts' meeting in Paris that the group was on course for net profits of FFr1.2bn ($226m) in 1992. That would represent an increase of 10.8 per cent upon 1991 when profits slipped by slightly more than 6 per cent.

Last year Havas was hit by the slowdown in the French advertising industry (where it is the dominant player as a result of its holding in the Eurocom group) and also by losses from its travel interests. The advertising slowdown also affected the performance of its free newspaper businesses.

Mr Dauzier forecast static sales of FFr26.5bn for the group this year. He said he did not envisage a strong recovery in the advertising market this year, but did expect to see a modest improvement. In the coming years Havas is expected to increase the proportion of sales generated outside France from 30 per cent in 1991 to 50 per cent in 1995.

Lyonnaise des Eaux, the French utilities and industrial group, may reduce its 3.8 per cent holding in Havas, according to Mr Dauzier, who said he would look "favourably" on the arrival of a new foreign partner as an equity investor. He saw this as a way of forging closer business links with international partners.

Mr Dauzier confirmed that Havas planned to press ahead with a FFr1.8bn capital increase in mid-July to raise funds to continue its expansion in Europe.

● Perrier, the French mineral water company, saw its shares suspended in Paris yesterday while Nestlé of Switzerland and Banque Indosuez of France, which are approaching the end of a fiercely-fought joint bid for the company, finalised details of a forthcoming offer to buy out Perrier's minority shareholders with the stock market authorities.

Winterthur reveals 11% rise in net income

By Ian Rodger in Zurich

WINTERTHUR, the Swiss insurance group, reports an 11 per cent rise in net income for 1991 to SFr262.9m ($180m), thanks to strong contributions from Swiss non-life business and North American direct business.

The directors have recommended a 3 per cent rise in dividends to SFr70 per registered share and SFr14 per participation certificate. They have also decided to accept non Swiss holders of registered shares on the register.

Gross premiums jumped 17 per cent to SFr14.6bn with nearly 3 per cent of it coming from currency conversion. Investment income was up 15.4 per cent to SFr40.5bn.

Winterthur Life, the group's largest subsidiary, raised its premium income by 20 per cent to SFr4.26bn. Overseas branches had premium growth of more than 40 per cent, mainly because the company took on some important group insurance contracts in Belgium and Spain.

Winterthur Life made an operating profit of SFr650m; 50 per cent higher than in the previous year. More than 97 per cent of it was allocated to the bonus fund. Investment income was up 17.2 per cent to SFr1.47bn and net income ended up at SFr16.8m, up 7.7 per cent.

PTT Telecom joins data network venture

By Ronald van de Krol in Zoetermeer and Nikki Tait in New York

PTT Telecom, the Dutch telecommunications company, has joined forces with AMR, parent company of American Airlines, and CSX, the US transportation company, to develop and sell an electronic data network in Europe.

The network will enable manufacturers, shipping lines and freight forwarders to keep track of cargo shipments as they move from factory to customer.

Mr Robert Crandall, chairman of American Airlines, said the venture with PTT Telecom was the first of a planned series of regional partnerships around the world aimed at providing companies with transport logistics information.

AMR and CSX announced last month they had formed an initial partnership, called Encompass, to promote the logistics information system.

The system aims to allow global trading partners to communicate electronically, regardless of the type of computer systems they use internally, or where they are based. Mr John Snow, head of CSX, has estimated the potential market for products such as Encompass at around $1.6bn.

PTT Telecom will take a 35 per cent stake in the new joint venture, Encompass Europe, and invest Fl 50m ($27.8m) in the project.

AMR and CSX, owner of the Sealand shipping line and one of the largest railroad operators in the US, will hold the remaining 65 per cent via the Encompass partnership.

The two US companies have invested $40m in developing the transport logistics concept over the past few years.

The principle aim of the Encompass system is to help cut inventory and other costs for manufacturers as well as reduce the amount of paperwork for hauliers. "It sometimes seems to us that there's more paper than freight," Mr Crandall said.

The system is being tested in the US by multinational corporations such as Digital Equipment, the computer company, and Procter and Gamble, the consumer products group, which is using the electronic network to monitor shipments between the US east coast and the Far East.

Encompass Europe, to be based in Rotterdam, claims to be the first electronic data interchange system for the transport industry which spans the various "modes" of transport.

After Europe, Encompass's next priority is to find an equity partner in the US similar to PTT Telecom for the North and South American markets. In Asia, it will probably seek several different partners.

BMW to raise CP programme

BAYERISCHE Motoren Werke AG (BMW), the German luxury car maker, is raising its commercial paper (CP) programme to DM1.5bn ($937m) from DM500m, Reuter reports from Munich.

The increase is being arranged by Deutsche Bank and Dresdner Bank. BMW added that Standard & Poor's, the US credit rating corporation has assigned an A-1 plus rating to the CP programme.

Strong demand for US dollar-denominated issues

By Sara Webb

THE INTERNATIONAL bond market witnessed further strong demand for US dollar-denominated issues yesterday, as the Province of British Columbia launched a successful $500m deal close on the heels of large dollar issues from the Province of Ontario and Toyota.

In addition, two borrowers tapped the Eurosterling sector – an area which has been almost devoid of new issues in recent months, while a handful of Latin American borrowers launched issues aimed at investors in search of high-yielding paper.

British Columbia's 10-year bond carries a coupon of 7¾ per cent and was priced at 98.61 to yield 48 basis points over the ten-year US Treasury bond. The yield spread narrowed to 46 basis points, and syndicate managers generally agreed that the pricing was "sensible".

The issue was well-received – despite the weakness in the US Treasury bond market overnight – and about half the issue was sold to European institutions, with the rest split between the Far East and US.

British Columbia has a AA1 rating from Moody's Investors Service. The bond issue is part of the Province's C$4.7bn general funding programme: including this issue, it will have completed C$2.2bn of the funding programme in the first two months of its financial year, according to Deutsche Bank Capital Markets, the lead manager.

INTERNATIONAL BONDS

The European Investment Bank and BP America both chose to launch medium-sized Eurosterling issues, a sector of the market which has seen few new deals largely due to the lack of attractive swap opportunities.

The EIB's £200m 10-year bond with a coupon of 9 per cent is fungible with an existing £200m issue. Samuel Montagu, the lead manager, said the borrower decided to tap the sterling market again because its existing issue was becoming illiquid. According to the lead manager, the existing paper has been yielding between 10-15 basis points less than the 10-year gilt, and the new tranche was priced to yield 5 basis points below the gilt.

The deal is intended to attract investors interested in sterling assets rather than a "spread play". Samuel Montagu said some continental investors prefer such paper to gilts, especially if they cannot receive their coupons gross on the comparable UK government bonds.

The issue, which was launched at 99.403, traded at 99.45-99.55 later in the day, yielding between 7-8 basis points below the 10-year gilt. The deal was not swapped and constitutes funding for the EIB to lend out.

BP America increased its initial £100m issue to £125m as the deal was fairly well received, dealers said. The six-year bond, which has a coupon of 9½ per cent, was reoffered at 99.125, and traded at 99.125-99.18 later in the day, according to lead manager Hambros Bank. The issue was swapped out of sterling.

Investor interest came mainly from Germany and Switzerland. The deal was priced to yield 40 basis points over the six-year gilt and the spread narrowed to 37.5 basis points over.

Investors in search of high-yielding paper witnessed a flood of Latin American issues yesterday, with bonds launched by Pemex (the Mexican oil group) and Aerovias De Mexico (the airline), as well as Bariven, a wholly-owned subsidiary of Petroleos De Venezuela.

The two-year FFr500m issue from Pemex yielded 180 basis points over the two-year BTAN and was swapped into dollars. Paribas, the lead manager, reported strong demand for short-dated, high-yielding French franc paper. Such issues appeal both to so-called "flight capital" investors (Latin American investors with offshore assets who want the anonymity of bearer bonds) and to European retail investors in search of high-yielding paper.

Meanwhile, Aerovias De Mexico's $100m issue was priced to yield 437 basis points over three-year US Treasury bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Prov.of Brit.Columbia(a)†	500	7¾	98.61	2002	32.5/12.5	Deutsche Bk.Cap.Mkts.
Aerovias de Mexico(b)†	100	9¾	99.05	1995	1¾/⅞	Citicorp Inv.Bk.
Lloyds Bank(c)†	50	9.5	98.603	1995	(c)	Banque Indosuez
Banco Rio de la Plata(d)†	40	8	100.1574	1994	1.125/0.625	Bankers Trust Intl.
STERLING						
EIB(f)†	200	9	99.403	2002	-	Samuel Montagu
BP America Inc.(g)†	125	9½	100.70	1998	1⅞/1¼	Hambros Bank
FRENCH FRANCS						
Petroleos Mexicanos(e)†	500	10¾	99.85	1994	(e)	Paribas Cap.Mkts.
YEN						
Nippon Paint Co.Ltd.(a)†	10bn	6.1	101.70	1997	1⅞/1.7	Nomura Intl.
D-MARKS						
Bariven SA.(a)†	250	10¾	100.25	1997	2/1¼	Bayerische Vereinsbank
SWISS FRANCS						
Itoki Co(a)★★†	50	7½	99⅝	1997	-	Dai-Ichi Kango Bk.(sch)

★★Private placement. §Convertible. ♦With equity warrants. #Floating rate note. †Final terms. a) Non-callable b) Coupon payable semi-annually. c) Coupon payable semi annually. Fees are ⅝ for selling. Brazilian branch of Lloyds Bank. Subordinated issue. d) Coupon payable semi-annually. Non-callable. e) Fees are ⅝ for underwriting. Non-callable. f) Fungible with existing £200m issue. Non-callable. g) Amount increased from £100m.

Matsushita set to launch $1bn global bond offering

By Emiko Terazono in Tokyo

MATSUSHITA Electric Industrial, the world's largest consumer electronics maker, will launch a $1bn global bond offering in July.

The issue will be the first global offering by a private company, and will be launched on US and European markets. Matsushita will use the funds raised to repay part of the debt related to the acquisition of MCA, the US film company.

Matsushita's decision comes at a time when an increasing number of Japanese companies are dipping into the straight bond markets. Equity-linked financing has virtually halted due to the prolonged slump of the Tokyo stock market.

Japanese banks are reluctant to increase aggressively its loan balances due to capital adequacy standards set by the Basle committee of central bank regulators, which must be met by the end of March next year.

The company's announcement follows the $1bn Eurobond issue by Toyota Motor, the Japanese automobile group, launched on Wednesday. Toyota is one of several Japanese companies which must refinance maturing equity-linked bonds issued at the height of the Tokyo stock market boom in the late 1980s.

During the last fiscal year to March, domestic corporate bond issues by Japanese companies rose 3.3 times from two years ago to Y2,426.7bn, while overseas issues increased by 3.5 times to Y3,877.1bn.

Matsushita said it was not concerned about oversupply, since investors remained keen to buy triple-A rated paper. The company reckoned that there was large demand from investors wanting an exposure to Japanese blue chip companies, but wary of equity investment against the background of the weak Tokyo market.

Matsushita said the maturity of the issue would be 7 to 10 years. It said soundings of interest among investors would begin as soon as registration procedures with the US Securities and Exchange Commission were completed.

US Treasuries depressed after report on interest rates

By Patrick Harverson in New York and Simon London in London

A NEWSPAPER report that Federal Reserve policy makers had decided against an immediate cut in short-term interest rates depressed US Treasury market prices across the maturity range yesterday morning.

By midday the benchmark 30-year government bond was down ⅛ at 101⅜, yielding 7.838 per cent. Prices were even lower at the shorter end of the range, with the seven-year note down ⅛ at 99⅞, yielding 7.027 per cent, and the two-year note down ⅛ at 99⅞, yielding 5.309 per cent.

New York trading opened weaker in the wake of a Wall Street Journal story that Tuesday and Wednesday's meeting of the policy-making Fed Open Market Committee had decided not to cut interest rates. Prices had risen steadily in the past few days on hopes of a policy ease, but analysts now believe a rate cut is unlikely until the Fed has a clearer idea of the state of the recovery.

The day's only economic data reinforced the downward pressure on prices, with weekly jobless claims falling 20,000 to 406,000 for the first full week of May.

GOVERNMENT BONDS

■ UK government bond prices retained a positive tone yesterday, encouraged by money supply figures which showed an increase in bank lending during April.

On the London futures and options exchange, the June gilt futures contract opened at 99.23 and moved within a tight 99.26 to 99.18 range in low trading volumes. By the close the contract stood at 99.19. Volume was 25,000 contracts.

In the cash market, long-dated gilts pushed higher during the morning session but settled back to close little changed on the day. For example, the 9 per cent gilt maturing 2011 opened at 101⅛, rose to 101⅜ in the day but fell back to close at 101⅜ for a yield of 8.85 per cent.

Money supply figures for April showed bank and building society lending rising by £5.1bn, the highest monthly total since October last year. Although rising from a very low level in March – which showed the first ever monthly fall in bank lending – the figures were taken as encouraging by the market.

■ GERMAN government bond trading was light as the market waited for the release of money supply data for April, which could determine the direction of interest rates.

The benchmark 8 per cent Unity bond maturing January 2002 closed at 100.18, from 100.38 on Wednesday, for a yield of 7.96 per cent. The price was depressed by the announcement that the Bundesbank had added DM4bn to the issue, which will be sold into the market when conditions are right.

On Liffe, the June bund future closed at 87.70, from an opening level of 87.74. Volume was a sluggish 35,000 contracts.

The yield spread between the French and German markets remained little changed, at around 59 basis points at the 10-year maturity. However, the strength of international support for the French market was yesterday evident from the results of an auction of two-year and five-year notes. The French treasury offered FFr12.8bn stock but received bids for over FFr50bn – many from international investors.

■ SWISS government bonds lost around ½ a point yesterday as investors nervously waited for the results of the federal authorities' first regular monthly bond auction, due to be announced today.

The government is hoping to sell SFr700m of new paper, although poor market conditions have hampered the auction which began on Monday.

At the opening yesterday, dealers were quoting the new 6¾ per cent 2003 bonds in the grey market at 99.20, for a yield of 6.92 per cent. By the close the grey market price had retreated to 98.75, for a yield of 6.92 per cent.

■ JAPANESE government bond prices eased slightly overnight in Tokyo, although the market took its tone from US Treasury bonds in the absence of new domestic factors.

The benchmark 10-year government bond issue No 129 closed on a yield of 5.49 per cent, from 5.46 per cent at the opening.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.3361	-0.620	9.19	9.18	9.62
BELGIUM		9.000	08/01	101.2500	-	8.76	8.81	8.80
CANADA *		8.500	04/02	100.1000	-0.450	8.48	8.62	8.61
DENMARK		9.000	11/00	101.2500	+0.100	8.78	8.77	8.80
FRANCE	BTAN	8.500	03/97	99.1246	-0.058	8.71	8.77	8.78
	OAT	8.500	11/02	99.7700	-0.150	8.52	8.59	8.64
GERMANY		8.000	01/02	100.2400	-0.210	7.96	7.98	7.93
ITALY		12.000	02/02	98.8500	-0.190	12.57†	12.86	12.88
JAPAN	No 119	4.800	06/99	95.3616	-0.157	5.72	5.75	5.96
	No 129	6.400	03/00	104.9357	-0.203	5.49	5.50	5.63
NETHERLANDS		8.250	02/02	99.4300	-0.170	8.32	8.32	8.28
SPAIN		11.300	01/02	102.4600	-0.300	10.85	10.82	10.79
UK GILTS		10.000	11/95	103-04	+1/32	9.13	9.23	9.36
		9.750	08/02	105-04	+0/32	8.97	9.11	9.18
		9.000	10/08	101-10	+2/32	8.85	8.99	9.07
US TREASURY *		7.500	11/01	101-04	-14/32	7.36	7.33	7.05
		8.000	11/21	101-29	-7/32	7.83	7.86	8.00
ECU (French Govt)		8.500	03/02	98.5300	-0.140	8.60	8.59	8.62

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Warrants issued on Brazilian bank debt

By Simon London

PARIBAS Capital Markets yesterday launched the first warrants on Brazilian bank debt, underlining increased interest among investors in Latin American "distressed" loans.

The warrants offer investors the right to buy Brazilian "multi-year deposit facility agreement" (MYDFA) debt at 40 per cent of face value over the next year.

The loans are already traded actively between banks and were yesterday quoted at around this level in the secondary market.

However, the secondary market price of the loans has risen this year as Brazil has worked towards a debt restructuring agreement with its commercial creditors.

If the country can agree a Brady-style debt restructuring similar to Mexico and Venezuela – under which loans are converted into collateralised bonds – the warrants will give the holders the right to buy Brady bonds.

Paribas said that the warrants, which cover loans with a face value of $100m, were bought by retail and institutional investors looking for geared exposure to Brazil's improving credit standing in the investment community.

Earlier this month, J.P. Morgan launched a $100m warrant issue on Argentina's bank debt, offering the right to buy either loans or Brady bonds at 41.5 per cent of face value.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

FLOATING RATE NOTES	Spread	Bid	Offer	C.cpn
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
NIPPON TEL & TEL 5 7/8 96	50000	101¼	101½	-¼	5.53
NORWAY 5 1/8 95	50000	99¾	100¼	-¼	5.21
SNCF 6 3/4 00	30000	106	106½	-¼	5.77
SWEDEN 5 5/8 95	20000	100⅝	101⅛	-¼	5.40
WORLD BANK 6 3/4 00	50000	106¼	106¾	-¼	5.69

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	91¼	92¼	
THORN EMI 5 3/4 04 £	103	7.16	126¾	127¾	+4.06

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	50	13	17
Other Fixed Interest	11	0	6
Commercial, Industrial	288	269	888
Financial & Property	111	128	557
Oil & Gas	9	32	45
Plantations	1	1	7
Mines	39	13	93
Others	44	31	55
Totals	553	487	1,668

LONDON RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Covrd.	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
[illegible]							
70	Nil	23/6	15pm	14pm	Martin (Albert)	15pm	
63	Nil	12/6	21pm	3pm	Resort Hotels	8pm	+2

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". [illegible] ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings — May 18
- Last Dealings — June 5
- Last Declarations — August 20
- For settlement — Sept. 1

3-month call rate indications are also shown on this page.

Calls in ASDA, Amstrad, BTR warrants '93/94, Burton, C.H. Bailey B shares, Castings, First Leisure, Manders, M.L. Labs., Mountleigh, Prospect Inds., Ratners, Saatchi & Saatchi and Suter. Put in British Telecom New partly-paid shares. Put and call in ASDA.

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
[illegible]							
Utd. Biscuits (*401)	390	23	35	42	8	14	18
	420	8	19	26	24	30	33
Vallero (*920)	900	45	72	86	16	25	32
	950	20	43	59	42	52	57

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
[illegible]							
Brit Aero (*373)	360	16	34	43	3½	15	24
	384	3	-	-	16	-	-
	414	1	-	-	44	-	-
Blue Circle (*265)	240	29	38	44	2½	6	9
	260	14	24	31	5½	13	17
	280	5	14	21	18	24	27
British Gas (*246)	240	12	19	22	3½	6½	11
	260	3	10	13	15	17	21
Dixons (*274)	260	21	29	39	4	12	15
	280	11	18	29	13	21	25

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Eurotunnel (*360)	360	35	52	67	14	30	31
	390	16	35	51	30	40	47
[illegible]							

FT-SE INDEX (*2723) [illegible]

May 21 Total Contracts 32,606
Calls 19,573 Puts 13,033
FT-SE Index Calls 4,444 Puts 5,563
Euro FT-SE Calls 63 Puts 10
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	49	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Amstrad	6	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Astec (BSR)	3	Courtaulds	43	Lex Service	22	TI	[illegible]	BP	18
BAT Inds	58	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BOC	53	FKI	6	Lonrho	[illegible]	Tesco	22	Conroy Pet	6½
BTR	35	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
Barclays	29	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Blue Circle	24	GKN	33	Midland Bank	30	Unilever	[illegible]	Shell	35
Boots	34	Gen Accident	36	NatWest Bank	26	Vickers	15	Tuskar Res	½
Bowater	60	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Brit Aerospace	28	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
British Steel	7	Grand Met	[illegible]	RHM	18	Brit Land	18		
Brit Telecom	25	GRE	13	Rank Org	66	Land Sec.	30		
Cadburys	38	Hanson	18	Ratners	[illegible]	MEPC	26		
		ICI	95	Reed Intl	44	Mountleigh	1½		

Sketchley ends year £6m in the black

By Angus Foster

SKETCHLEY, the dry cleaning and textile services company which came close to collapse in 1990 before new management moved in, yesterday announced a return to profits and resumed dividend payments.

Pre-tax profits were £6.02m in the year to March 27 compared with a £5.26m loss. This was mainly due to benefits from cost cutting and a reduced interest charge.

Mr Tony Bloom, deputy chairman, said Sketchley, which at one stage was losing £800,000 a month, was out of trouble. "We've made the base secure. It's now time to develop via acquisitions," he said. These could be add-ons to existing businesses or new ventures, he added.

Sketchley's recovery had been highlighted at the interim stage when profits of £3.19m compared to losses of £5.54m. Turnover for the full year fell to £107.1m (£157.9m) although the prior year figure included the vending machine division, since sold.

Continuing businesses were affected by recession. The textiles division's operating profits fell to £5.5m (£6.3m) while dry cleaning fell to £2.18m (£2.38m).

Positive cash flow reduced net borrowings from £31.6m to £11.9m, or 31.3 per cent of shareholders' funds (89.3 per cent). The interest charge fell to £2.62m (£6.15m).

Earnings were 7.8p against losses of 6.9p last time. The company is recommending a final dividend of 3p, which is 2.6 times covered.

The group reported little progress on various outstanding legal disputes, which include an expected writ from Eurocopy over its 1989 purchase from Sketchley of Equipu. Sketchley said any proceedings would be "vigorously contested".

● COMMENT

Sketchley's new management has done everything right so far by concentrating on its two core divisions, stripping out costs and reducing borrowings. The next task will be to improve the remaining businesses. These figures provide mixed portents. Operating profits are up but margins for dry cleaning and textile services both fell, from 4.5 to 4.2 per cent and from 12.1 to 11.3 per cent respectively. This may just be a reflection of the severity of the recession, but it is slightly disappointing since staff numbers have fallen from 5,000 to 4,650 and Sketchley outlets from 500 to 470 in the past two years, thereby reducing overheads. Forecast profits of £8m put the shares, which closed down 1p at 154p, on 14 times. Given the 41 per cent rise in the share price since May 9, investors may prefer to wait for a little consolidation, especially if a hot summer prompts people to bring out their cottons, which rely on the washing machine rather than the dry cleaner.

Concerto attacks share structure at Liberty

By Angus Foster

CONCERTO Capital, the vehicle for South Africa's Myerson family, yesterday maintained the assault on Liberty when it used its 15 per cent stake in the fashion retailer to demand an extraordinary general meeting to vote on changes to the company's share structure.

Liberty complied with the request, and a meeting will be held in the next four weeks.

Concerto complained that Liberty's share structure, which involves ordinary and non-voting shares, is out of date.

It wants each non-voting share to be split in half, and one half given voting rights. Ordinary shareholders would be compensated by a 1-for-2 bonus issue.

Mr Brian Myerson said enfranchising non-voting shareholders would improve the shares' marketability and allow Liberty easier access to capital. "The issue is that every shareholder should have a vote," he said.

But Mr John Pugh, Liberty's finance director, was initially dismissive of Mr Myerson's move. "His whole thinking is dreadfully muddled. His proposals would introduce another level of shares and complicate our relatively simple structure," he said.

Both sides claim support from institutions, which hold 74 per cent of the non-voting shares.

Mr Myerson refused to comment on whether Concerto would finally bid for Liberty, where the Stewart-Liberty family owns 35 per cent of the ordinary shares, and claims support from other family members with a further 15 per cent.

"Our ultimate objective is to increase value for all shareholders," Mr Myerson said.

If Concerto's proposals were accepted, its stake would be diluted to 13.4 per cent while the Stewart-Liberty holding would fall to 27 per cent. Concerto's holding is less affected by dilution because it owns 7.6 per cent of the non-voting shares.

BT to increase pay-out by 8.3% despite dip in profits

By Hugo Dixon

BT, Britain's dominant telecommunications group, yesterday announced an 8.3 per cent increase in dividends despite suffering its first drop in profits since privatisation eight years ago.

The company also announced that it planned to reduce staff numbers by up to 24,000, or 12 per cent of its workforce, in the current financial year as part of a drive to improve efficiency.

Staff numbers were cut by 16,400 last financial year and by 18,900 in the year before that, giving an expected reduction of 60,000 over three years.

Pre-tax profits for the year to end-March were £3.073bn, a marginal decline on the £3.075bn in the previous financial year. A combination of the recession, growing competition from Mercury Communications and tighter regulation by Oftel, the industry regulator, brought to an end a period of strong and unbroken profits growth.

Turnover increased by 1.4 per cent to £13.3bn. Mr Iain Vallance, chairman, said that "firm management control of operating costs" had prevented the fall in profits being greater.

Mr Michael Hepher, group managing director, said that early responses to the company's new redundancy scheme indicated there would be sufficient volunteers. He also reiterated that the current job cuts were not "the end of the road".

The company expects the cost of this year's redundancies to be £400m, of which about £120m will come from an existing provision for restructuring the organisation. The rest will be charged to the profit and loss account.

There will also be an increase of about £550m in BT's pension liability, although it will not be clear whether this will lead to an end in the company's three-year pension holiday until a revaluation of pension funds is completed in the autumn.

BT said its share of the basic telecommunications services market was about 93 per cent and its share of the international calls had fallen to less than 80 per cent. Inland call volumes grew by only 1 per cent while international volumes increased by 4 per cent.

Capital expenditure fell to £2.45bn from £2.76bn. Cash flow, after capital expenditure and dividends, doubled to £1.04bn from £521m.

Earnings per share fell 2.2 per cent to 33.2p. The full year dividend is being increased 8.3 per cent to 14.4p.

US partner in prospect for Concordia

BT may take a US partner into Syncordia, its global communications venture, Mr Iain Vallance said yesterday.

Syncordia, formed last year with the aim of providing communications services to multinational corporations, had a difficult birth. BT's original plan to sell a stake to Deutsche Telekom was abandoned when the German state-owned telephone company formed an alliance with France Telecom, its French counterpart.

The idea that Syncordia may take a US partner runs counter to BT's original intentions. Mr Vallance previously argued that Syncordia, based in Atlanta, Georgia, could serve the US market on its own.

Mr Vallance refused to say which US companies BT was talking to except that IBM, the computer giant and now a Syncordia customer, was not one of them. In the past, MCI, the long-distance telecommunications group, has expressed an interest in joining.

Mr Vallance said that, as the European telecommunications services market was being progressively opened up to competition, BT did not need German or French participation in Syncordia. He said he was still hoping to involve Japan's Nippon Telegraph and Telephone in the venture.

Plysu moves 26% ahead to £9.47m

By Peter Pearse

PLYSU, the plastic packaging and housewares manufacturer, has again reported record pre-tax profits – in the year to March 31, they grew 26 per cent from £7.52m to £9.47m.

High density polyethylene, the company's main plastics raw material, was freely available again after the Gulf war and "prices have stabilised at a lower level", said Mr James Summerlin, chairman. The scale of the profits rise was aided by the net cash position attained by the year-end, which resulted in interest charges being cut by almost two-thirds to £364,000 (£1.04m).

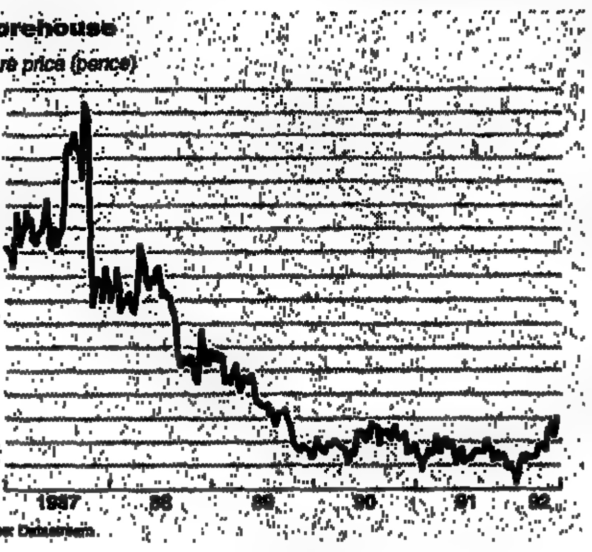
Turnover in the UK slipped to £56.4m (£56.6m), while in the Netherlands there was an 11 per cent increase to £9.64m (£8.67m). Mr Summerlin said turnover figures revealed "a negative inflation factor". The company had passed the price savings on to its customers.

Mr Summerlin expected capital expenditure next year to top the £6.7m (£5.6m) spent in the period under review.

Earnings rose to 13.9p (11.4p) and the final dividend is 4.35p (3.15p) for a total of 6p (4.5p).

Second half boost for Storehouse

By John Thornhill



IN FOOTBALL parlance, it was a game of two halves at Storehouse last year.

After a pretty dismal first six months in which it lost £13.9m, the retailing group, which includes BhS, Mothercare, Habitat, Richards and Blazer, recorded a strong improvement in the second half with trading profits for the period bouncing to £27.3m compared with £13.2m the year before. Over the same period sales grew from £572m to £606.4m.

At the heart of Storehouse's turnround was a strong recovery from BhS, the clothing and homeware group, which has undergone something of a metamorphosis under the direction of its chief executive, Mr David Dworkin – who it was announced yesterday would replace Mr Michael Julien as group chief executive.

BhS contributed £22.1m (£21.6m) to full year trading profits and £634.7m (£617.7m) to sales. But Mr Dworkin believes there are further significant benefits to be reaped from BhS. "My own view is that the month we are in is the best we have ever had. Last year we had our 'May mania' when everything that was not tied down was on sale. But even so we are beating the living hell out of those numbers this year," he said.

However, it was not the same story across the group. Although Storehouse said the sales trend had improved since Christmas, the Mothercare childrenswear business experienced a sharp fall into a £3.9m loss for the year reversing a previous profit of £6.8m. This decline was blamed on increased costs and intensified competition. Sales were slightly down at £233.8m (£234.8m).

Habitat, the furniture group, also had a tough year recording losses of £8.8m against £11.9m. Its French arm made a strong contribution, but the UK was weak and Conran's Habitat in the US lost £7.7m although remedial action was promised this year. Habitat's sales also fell marginally to £201.2m (£205.9m).

The Richards womenswear chain recorded a small increase in operating profits but Blazer made a small loss. Together, they accounted for £600,000 (£1.7m) of profits and £110.1m (£103.2m) of sales.

Staff numbers were cut by about 500 to 14,280 during the year.

Storehouse devoted £45m to capital expenditure but is stepping up its investment programme this year to more than £60m.

Deeper loss at Westbury

By Angus Foster

WESTBURY, the Cheltenham-based housebuilder, continued to suffer from the slump in the housing market and yesterday announced its second successive year of losses.

The pre-tax deficit of £15.1m was up from last time's £8.12m. The losses followed exceptional charges of £15.3m, mainly to cover write-downs on land values. Exceptional charges of £13.5m last year had proved to be too low.

Mr Richard Fraser, chairman and chief executive, said he was cautious about the outlook and that house prices were unlikely to pick up this year.

Turnover fell to £131.8m (£171.1m). A total of 2,277 homes were sold at an average price of £56,300, compared to 2,576 houses at £61,900 previously. The lower average price achieved partly reflected the company's concentration on smaller houses.

Losses per share were 17.4p (14p), but the directors have recommended a maintained final dividend of 5.75p for an unchanged total of 9p, uncovered for the second year running.

Net borrowings reduced sharply to £12.4m (£55.8m) helped by last year's £20.7m rights issue and a fall in stocks. Gearing fell from 59 to 13 per cent and interest costs almost halved to £3.98m.

Panel ruling on Davy payment

A Takeover Panel ruling yesterday diminished the chances that former shareholders in Davy Corporation, which Trafalgar House took over last June, will ever receive their second payment of £54m.

The Panel ruled that shareholders were given all the information and warnings necessary concerning the Ocean Emerald rig, the conversion of which cost Davy its independence.

Trafalgar made the second payment, worth 45p per share, conditional on it receiving payment from Midland and Scottish Resources, which ordered the rig but has so far been unable to draw on letters of credit to pay for it.

Butte initiates legal action in US claiming damages of $325m

By Kenneth Gooding, Mining Correspondent

BUTTE MINING, which at present has a market value of about £5m, has launched a legal action in the US against a number of defendants, including former directors and advisers, claiming damages of $325m (£183.6m).

It also is asking for this to be trebled under US anti-racketeering legislation.

Named among the defendants are Mr Clive Smith, the Midlands entrepreneur who has been involved in a number of oil and mining ventures, and Mr Martin Byatt, whose firm Byatt Michau & Smart, was Butte's legal adviser.

Also named are Ernst & Young, the international accountancy group, and Robertson Research, the UK minerals consultancy organisation and Simon Engineering, its parent since last year. Mr Roy Bichan, who at one time was chairman of both Robertson and Butte, is also among the defendants named.

The suit, filed in the US District Court in Montana, Butte division, by Butte Mining's contingent-fee lawyers, Deutsch and Frey of New York, makes extensive allegations of fraud and misrepresentation.

It claims damages from about 100 companies and individuals.

None of those contacted about the suit yesterday had seen the details and some – including Ernst & Young – withheld comment. However, Mr Smith said: "I have never been involved in any racketeering. Any claims are frivolous." He said that his family's shareholding in Butte remained at the same level as when the company was launched on the London Stock Exchange in October 1987: some 19m shares.

A Simon Engineering spokesman said any allegations were strongly denied by Robertson which had taken extensive legal and other professional advice at the time of Butte's acquisition of its US interests. "If and when proceedings are received, they will be defended vigorously [by Robertson]."

Among the many allegations, Butte has complained that in 1988 it paid £51m, mainly in shares, then priced at £1.25 each, for a company whose sole asset, bought only a short while before, had cost $90,566.

It has also alleged that shareholders were told Butte was fully indemnified against environmental liabilities in respect of some of its US properties, when it was not.

Papers filed in connection with the suits contend that these matters came to light only in the first quarter of 1992 as a result of new management, including Mr David Lloyd-Jacob, a former Consolidated Gold Fields managing director, who was recruited by Credit Lyonnais Laing.

No trial date had yet been fixed but Butte believes the case might reach court at the end of 1993. It said: "No assurance can be given as to the eventual outcome of the suits, nor of the amounts of damages that may be recovered."

The Butte share price remained unchanged after the news at 2p.

هكذا صدر الأصل

William Cook drops 60% and cuts dividend

By Richard Gourlay

WILLIAM COOK, the Sheffield-based steel castings group, yesterday cut its dividend after reporting a 60 per cent fall in profits as recession continued to hit sales.

Mr Andrew Cook, chairman and chief executive, blamed changes in accounting treatment for part of the sharp fall and said "shareholders should not be disappointed at the results".

William Cook shares, nevertheless fell 47p to 283p, a sign of the City's displeasure with the dividend cut.

Pre-tax profits in the year to March 28 fell from £12.2m to £4.76m on sales down 16 per cent at £111.2m. These figures included £3.3m of exceptional costs covering rationalisation and plant closures during the last and current years.

In the past William Cook generally treated such plant closures and rationalisation costs below the line as extraordinary items or wrote them off against acquisition provisions.

Earnings per share under the new treatment fell from 46.29p to 15.03p. Under the old treatment the fall would have only been to 25.27p. The company has cut the final dividend to 5p (9p), giving a total of 10p (14p).

The recession had necessitated further job cuts and other cost cuts. The current year had brought no relief from recession although orders had picked up in some group companies.

COMMENT

William Cook will not be the only company to bemoan accounting changes. But the plain fact is that when a company is closed or trimmed it costs real cash. To allow that cost to be written off below the line flies in the face of common sense – if one accepts accounts are supposed to reflect the true state of a business – and is a practice that is well buried. As for William Cook's prospects, shareholders can do little but wait for a turnround in the economy before this low technology metal basher does anything exciting. Granted William Cook has almost single handedly rationalised the steel foundry industry in the UK, becoming the most profitable producer in Europe in the process. But few rationalisation opportunities remain as it already dominates the domestic market and many potential continental European targets remain in unholy alliance with their respective governments. As it travels this somewhat dull route, William Cook's profits are likely to recover to £7m this year, or earnings of 22p, followed by £10m and 31.8p of earnings.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Albion ......int	1.2	July 2	1.2	-	2.5
Airflow ......fin	0.1	July 20	2	0.1	4
Appleby West § ......fin	5.8	July 1	5.5	8.8	8.5
BT ......fin	8.7	Sept 19	8.05	14.4	13.3
Cook (William) ......fin	5	-	9	10	14
Dobson Park ......int	1.9	Aug 10	1.9	-	5.75
Ferry Pickering ......int	2.1	July 10	2.1	-	5.5
IRG ......fin	4.45♣	July 17	4.45	6.2	6.2
Jackson Group ......fin	1	June 13	2.2	2	3.2
Merchant Retail ......fin	nil	-	1.3	1.1†	2.4
Plysu ......fin	4.35	July 16	3.15	6	4.5
Shires Invest ......fin	5.9	July 31	5.8	16.4	17.8
Sketchley ......fin	3	July 8	nil	5	nil
Storehouse ......fin	2.6	Aug 14	2.5	5	5
Westbury ......fin	5.75	July 17	5.75	9†	9
Wheesoe ......int	2.2	July 6	2	-	7.2
York Waterworks ......fin	5.7	July 14	2.75	8.5	8.75‡

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For 15 months. ♣Irish pence.

Political lobbying over Midland takeover gathers steam

MPs with a specialist or constituency interest are lining up behind Hongkong, reports David Owen

WITH competing attractions like Maastricht, Olympia & York and the Maxwell pensioners, the battle for Midland is not at the top of most MPs' agendas.

Nevertheless, the lobbying offensive mounted by the protagonists is beginning to bear fruit. MPs with constituency interests are starting to think through the possible local consequences of what is proposed.

Meanwhile, those whose special interests include financial services are considering the ways in which this case will affect competition, employment and merger regulation.

Among the first group are a large number of MPs fearful that a Lloyds Bank takeover of Midland could produce significant job losses in their constituencies. Some of these have signed an early day motion supporting Hongkong & Shanghai Banking Corporation's plans which was tabled at Westminster by Mr Jacques Arnold, the Conservative MP for Gravesham and a former Midland employee. In all, 61 Tory, Labour and Plaid Cymru MPs have backed the motion.

Of these, it is Labour MPs in Sheffield like Mr Richard Caborn and Mr Clive Betts who articulate perhaps the most pressing local interest. Midland is now the biggest private-sector employer in the erstwhile steel capital of the world. Some 1,750 of the bank's 3,500 local staff are employed in the type of head office functions that are perceived to be vulnerable in the event of a Lloyds takeover.

Mr Cabor says luring Midland "gave a confidence to the city that has enabled it to attract other financial institutions". According to Mr Betts, "the worrying thing is that there has been no discussion about the implications in Sheffield".

Lloyds, which admits that 20,000 jobs might be lost – the vast majority, it claims, on a voluntary basis – if it took over Midland, retorts that it would take the best from both banks. Midland employees in Sheffield would be retained if their performance warranted it.

The bank further contends that retrenchment is inevitable and ongoing in "overbanked" Britain. It would be better for this process to unfold on a planned rather than a haphazard basis, as it argued at a recent meeting with a small group of senior Tory backbenchers.

Hongkong Bank – which has arguably adopted the more aggressive tactics in these early lobbying exchanges – is now attempting to build on these expressions of support by circulating material detailing where a Lloyds-Midland merger would damage competition by causing branch closures.

Its advisers have unearthed 28 constituencies – including those represented by Mr Michael Heseltine, President of the Board of Trade, Mr Neil Kinnock, the Labour party leader, and Mr Douglas Hogg, junior foreign office minister –

Jacques Arnold: fearful for jobs in constituencies

which they say contain towns faced with a "prospective monopoly" of bank branches since they currently boast only one Midland and one Lloyds outlet.

Lloyds and Midland between them own more than 50 per cent of bank branches in nine postal areas or counties, including Gloucestershire, Warwickshire and West Glamorgan, the material claims.

Lloyds discounts the research on the grounds it is inaccurate, makes no reference to other financial outlets such as building societies, and does not indicate whether Midland proposes closing any of the branches mentioned anyway under its own plans.

Midland is also attempting to rally Westminster support to the Hongkong banner by encouraging its employees to write "from your home address" to their local MPs urging them to sign Mr Arnold's early day motion.

"Using your own words, expressing deep concern as a Midland employee on what the Lloyds approach would mean for jobs and customer choice, you should ask your MP ... to sign Early Day Motion No. 39," a letter signed by Mr Brian Pearse, chief executive, and addressed "Dear Colleague", advises. "If your customers offer to assist, you can suggest they might like to take the same course of action."

However, some MPs who support Hongkong [illegible] comings in making [illegible] tinction between the [illegible] proposals in terms of [illegible] employment prospects.

"The employment [illegible] is a weak one," says Mr [illegible] Devlin, the Conservative MP for Stockton South [illegible] tory to the Arnold [illegible] says Britain has [illegible] many" bank branches [illegible] staff. "The argument [illegible] be on competition; [illegible] and Midland go to [illegible] that will reduce the number [illegible] mainstream banks."

Mr Peter Viggers, the Tory MP for Gosport, has [illegible] out the regulatory [illegible] the present position as a [illegible] for concern, calling for both sets of proposals to be examined "under the same jurisdiction".

Although his stance [illegible] mirrors that of Lloyds, Mr Viggers says he is not taking sides "at this point". He says a number of colleagues "feel dissatisfaction" that the Hongkong bid is being examined by the European Commission.

Banking on breaking down the barriers to China

Foreign trade and investment in China are growing rapidly and Hongkong Bank is well placed to benefit when the colony reverts to Chinese control in 1997, reports David Barchard

OUTSIDE HONGKONG Bank's Shenzhen branch on a sultry weekday afternoon in the south China town, two dozen customers stand in line to use the cash machine. If they want, they will be able to draw cash from accounts on the other side of the world.

The cash machine is one of many bridgeheads by Hongkong Bank into China. So far the Shenzhen cash machine is its only one in China and it can be used only by non-Chinese nationals who draw their cash not in the RMB of the People's Republic of China, but in Hongkong dollars.

Hongkong Bank however hopes that the day is not too far off when the RMB will become a convertible currency and it will be able to offer a fuller range of banking services to China's 1.2bn citizens.

Judged by the vast scale of the country, Hongkong Bank's three branches and six representative offices in China are little more than a toehold: but the Chinese operations are mostly concentrated in the south, where foreign banks and international investors are co-operating with Chinese authorities to produce an explosion of economic development. Only Standard Chartered has a comparable presence among foreign banks.

Foreign trade and investment in China are growing rapidly, as manufacturing shifts from Hong Kong to Shenzhen and other towns in the Pearl River Delta in special economic zones in Guangdong province just across the border.

The results are extraordinary. Between 1980 and 1991 Shenzhen transformed from a fishing town of 50,000 people to a frenetic industrial metropolis and financial centre with a population of 2m. In 1990 it opened its own stock exchange.

"The differences between Hong Kong and its neighbouring towns are getting rapidly less distinct," says Miss Rose Lee, assistant general manager at Hongkong Bank.

Not that Shenzhen is entirely what it looks. Most of its workforce comes from Chinese villages on one-year contracts. Workers may earn less than $100 a month. Their American and Hong Kong Chinese managers return home each night to the British territory.

Like other Hong Kong business institutions, Hongkong Bank hopes that by 1997, when the territory reverts to Chinese sovereignty, an economic miracle of historically unprecedented proportions will mean that actual changes in the business environment are relatively minor.

The changes are a reward for several decades after 1949 when Hongkong Bank maintained a token presence in China believing that some day economic relations would revive. During the lean years its role as the de facto central banker of Hong Kong helped it in its dealings with the Chinese authorities. But at the end of the 1970s it had only the Shanghai branch in China.

Business with China breaks down into several categories: trade finance, project finance for infrastructural developments such as the proposed six-lane motorway to link Hong Kong and Shenzhen; direct lending to joint ventures and state corporations; and bank guarantees for Chinese businesses.

The bank provides no figures about the size of its business in China but, though most of China's US$135.7bn foreign trade in 1991 seems to have been handled by Chinese banks, there is clearly plenty of business around. Unofficial estimates place the size of the the Hongkong Bank loan book in China at more than US$4bn, well ahead of its nearest rival, Standard Chartered.

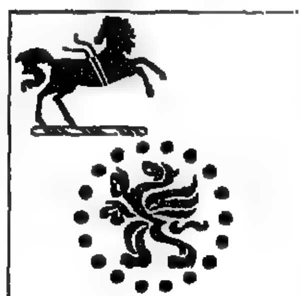
Working relations with the Chinese authorities, especially the government of Guangdong Province, are clearly good and getting closer all the time. Just how intimate they are is difficult for third parties to assess.

In Beijing relations are more delicate: Hongkong Bank is one of many supplicants, though it can project itself as an important source of information and good publicity about China to the rest of the world. Hongkong Bank officials are upbeat when discussing China's future and business prospects, but there is a slight note of whistling in the dark about predictions of China's political future.

The underlying argument is that if there is a vast and thriving trading and industrial empire in free trade zones such as Shenzhen, the Pearl Delta, and perhaps by 1997 Shanghai as well, then the precise complexion of the Beijing government will not matter too much.

There is special reticence on both sides about the precise reaction of the Beijing authorities to the bid for Midland and proposals to shift Hongkong Bank's headquarters to London. Peoples Bank officials, who are voluble about discussing plans to quintuple the size of the Shenzhen economic zone, fall silent when asked about the merger, and say they can add nothing to the Beijing Foreign Ministry statement.

The acid test seems to be Hongkong Bank's future attachment to Hong Kong. Miss Lee said: "They have told us that they understand about international acquisitions but we don't want you to do anything that is not in the interests of Hong Kong. That suits us because our intention is to increase our business here even further if we possibly can, on top of our very high market share."



THE BATTLE FOR MIDLAND

Dobson Park shows marginal fall to £6.2m

By Andrew Baxter

MR ALAN WATKINS, the former chief executive of Hawker *Siddeley who resigned* after BTR won control of the *company* in November, has become a non-executive director at Dobson Park Industries.

The announcement came yesterday as the industrial electronics and mining equipment group announced a slight fall in pre-tax profits for the six months ended March 28 from £6.5m to £6.2m, and a maintained interim dividend of 1.9p per share. Earnings slipped from 3.52p to 3.32p.

Mr Alan Kaye, chairman and chief executive, will relinquish *the role of chief executive from* May 25, continuing as full-time chairman. This ends a temporary combination of the two jobs following the retirement of the former chairman, Mr Gordon Marshall, in October.

Mr Kaye, who has been chief executive for nearly eight *years, will be replaced by Mr Oliver Chapple, the current* deputy chief executive, who joined the company from T&N last September.

Mr Watkins' appointment is his first of any significance since he left Hawker, but it was expected he would receive several offers from British industry where his knowledge of manufacturing and product strategy could be put to use.

Dobson Park has been diversifying away from its traditional mining equipment business in the past five years into industrial electronics, serving industries such as aerospace. Mr Kaye said Mr Watkins' *experience* at Hawker, and previously as managing director of Lucas Aerospace, would help the company with its future strategy and acquisitions.

He described the latest profits at Dobson Park, struck on turnover of £98.8m (£114.2m), as *"satisfactory" in the context* of a difficult market situation.

Industrial electronics increased profitability compared with the second half of 1991, due mainly to cost savings and new products, but profits of £2.57m were still lower than the £3.4m recorded a year earlier.

Mining equipment profits rose from £2.07m to £3.03m, in spite of continuing contraction in demand from British Coal. This was more than offset by substantial overseas contracts, a good performance from the US-based conveyor company and the effects of rationalisation in the UK.

In December the group announced a radical restructuring of the division because of forthcoming changes in the UK coal mining industry, and is withdrawing from its high-volume product areas.

Mr Kaye said there had been some recent signs of recovery in certain markets, particularly the US, but he did not expect *conditions* to change significantly in the second half of the year.

Alan Watkins: other offers expected from British industry

Italians get a taste for the Lancashire pizza

By Ian Hamilton Fazey, Northern Correspondent

A GREATER Manchester manufacturer has developed a new variation on the "coals to Newcastle" theme by selling pizzas to Italy in increasing quantities. The company, which also makes 35 per cent of the pizzas sold by UK superstores as their own brands, was bought out yesterday by its management for £15.5m.

Canadian Pizza Crust (UK) makes frozen pizza casings at Weaste in the former Salford enterprise zone. Toppings are added in a second plant at Nelson, Lancashire. Annual sales have nearly *doubled to £11m* during the recession and are expected to rise to £16m this year.

The company attributes success to pressing its pizza cases into shape through rollers, proofing them, and then rolling them again – an advance on merely cutting them out of big sheets of pastry. Mr Harry Kent, who founded the business in 1986 with Mr Gino Molinaro, a Canadian, says this ensures a fluffy texture develops during baking.

Before building the Salford factory, Mr Kent *was Mr Molinaro's UK importer. Mr Molinaro* has since sold his Canadian operations to Heinz.

He and Mr Kent have now sold the UK operation to the buy-out team, but Mr Kent has reinvested half of his own proceeds back into the business, which he will *continue to run*. Mr Alan Featherstone, his commercial director, has joined in the buy-out, together with Mr Wilf Austin, the finance director.

The Manchester office of *Murray Johnstone*, the Scottish finance house, has taken £7m of equity, 3i has £2.5m and *ECI Ventures* £1m. Murray Johnstone also negotiated £2.5m of senior debt with 3i and is putting Mr Peter Woodall on the pizza company's board.

Mr Kent is particularly pleased at breaking into Italy. His pizza cases are now sold in super*markets in Rome*, Venice, Turin, and Naples, with expansion into Milan later this year.

The company now plans to build a factory in southern France to supply growing markets in Switzerland, Spain and Greece. The pizzas are also selling well in the Netherlands and Norway.

Employment has grown from 30 in 1986 to 250 jobs. Murray Johnstone said research predicts a growing UK market because of *demand for convenience* foods that are quick to prepare and *have a healthy image*. A growing segment is the in-store delicatessen custom-made pizza, for which the company supplies cases.

NEWS DIGEST

Airflow dives to £87,000

PROFITS before tax of Airflow Streamlines, the Northampton-based cab manufacturer and Ford main dealer, fell from £1.22m to £87,000 over the 12 months ended February 29.

Earnings per share dived to 0.07p (8.97p) and the dividend for the year is a nominal 0.1p – shareholders received a 4p total the previous year.

The directors said reduced demand had affected both the *cab-making operations of the* production division and Whiteleys during the *opening* half year.

They added, however, that the delayed introduction of a new model range in August had improved the trading position in the second half but not enough to recover the loss in the first half.

The Ford main dealership continued to experience reduced sales and margins for new vehicles, but used car sales and margins were improved.

Looking ahead, the directors said that "after two years of reduced demand ... the prospect of improved trading conditions appears to be emerging".

Albion slips to £338,000

Taxable profits of Albion, the Belfast-based clothing manufacturer, slipped from £399,040 to £338,378 for the half year ended March 31.

Turnover moved ahead from £7.09m to £7.42m but pressure on margins curtailed operating income. Revenue grants fell from £81,754 to £18,836.

Earnings amounted to 5.6p (6.53p) and the interim divi*dend is a same-again 1.2p*.

Shaftesbury reduces loss to £2.3m

Shaftesbury, the commercial property company, reported a pre-tax loss of £2.3m for the six months to end-March, against a loss of £5.86m in the comparable period.

Net revenue from properties improved from £2.34m to £2.53m but there was a deficit on sales of properties amounting to £403,000 compared with a *profit of £47,000 last* time.

Provisions against the cost of development properties fell from £3.92m to £1.08m. Losses per share were reduced to 9.1p (23.9p).

Mr Peter Levy, chairman, said that while there might now be some feeling of optimism, he believed there was no immediate prospect of a significant improvement in the property market.

Shires Investment asset value lower

Net asset value per share of Shires Investment stood at 225.84p on March 31 compared with 260.39p a year earlier. *Fully diluted the value was* 219.6p against 242.5p.

Net revenue for the 12 months amounted to £4.39m (£4.02m) for earnings per share of 19p (19.03p). A final dividend of 5.9p (5.8p) is proposed for a total of 18.4p (17.8p).

Appleby Westward declines 20%

Profits of Appleby Westward Group, the USM-quoted Spar and VG wholesaler, fell from £2.06m to £1.64m pre-tax for the 53 weeks ended February 28.

The 20 per cent downturn was scored from higher sales of £72.9m (£69.1m). The directors said trading in the second half had shown an improvement and that trend had continued *into the current year*.

Earnings emerged at 20.7p (25.8p). In view of the improving trend the dividend for the year is being lifted to 8.8p (8.5p) via an increased final of 5.8p.

York Waterworks achieves £2.09m

York Waterworks announced pre-tax profits of £2.09m for the year to March 31 compared with £2.11m *for the previous 15* months.

Turnover amounted to £6.88m (£7.59m) and the pre-tax result was after net interest payable of £433,000 (£642,000).

A final dividend of 5.7p is recommended for an 8.5p total (8.75p for 15 months) payable from earnings per share of 20.7p (19.8p).

The company agreed to the director general's request late last year to voluntarily reduce the K factor it would apply to its charges in 1992-93. Accordingly the increase for the year is 15 per cent less than the maximum permitted.

Jackson tumbles £1.55m into loss

Jackson Group, the Ipswich-based engineering and construction concern, fell £1.55m into the red in 1991 compared with pre-tax profits of £827,000 previously. Turnover was little changed at £59.3m.

Some £1m (£550,000) of the loss was as a result of the reduction in value of dealing property stock. After a tax credit of £498,000 (£134,000 charge) the loss per share amounted to 4.9p (*3.2p* earnings). However, the directors are recommending a *final dividend* of 1p (2.2p) for a 2p (3.2p) total.

Merchant Retail dives to £1.72m

Merchant Retail Group, the food retailer, returned profits of £1.72m pre-tax for the 12 months ended March 28, a 49 per cent downturn on the previous year's £3.37m.

Earnings fell from 3.06p to 1.24p and the final dividend is being omitted, leaving shareholders with 1.1p for the year (2.29p). The shares dipped 2p yesterday to 16p.

Directors blamed most of the profits setback on Normans Superwarehouses, where net margins fell from 3.9 per cent *to 2.5 per cent and trading profits* from £4.35m to £2.8m.

They said the "significant sales increase" anticipated at Normans in the Christmas period failed to materialise – Normans trades from 19 stores in the south-west of England.

Group sales improved from £149.97m to £155.04m.

Ferry Pickering falls to £577,000

Profits of Ferry Pickering, the packaging, printing and publishing group, fell from £1.2m to £577,000 at the pre-tax level for the six months to February 29.

Turnover declined to £13.99m (£15.12m). Earnings amounted to 3.37p (6.1p) and the interim dividend is a same-again 2.1p. The year-end is to be changed to December and the directors anticipate paying a second interim dividend, covering the period to August 31, in January 1993.

The shares slipped 5p to *115p*.

Restructured Whessoe advances 19% to £3.67m

By Peter Pearse

WHESSOE, the engineering and pipework group "significantly restructured" since 1989, has maintained its progress with a 19 per cent pre-tax profits advance to £3.67m in the six months to March 31.

The rise from £3.09m was *struck on turnover boosted by* acquisitions to £36.6m (£25.2m). In September the piping systems division was augmented by the £8m purchase of Connex Pipe Systems of the US. Elcon Instruments of Milan, Italy, was joined in the instrumentation and control side this January by Varec, a California-based maker and distributor of tank gauges and vapour control products.

A 1-for-4 rights issue raising £8.1m helped pay Varec's £11.1m purchase price, but Mr Chris Fleetwood, chief executive, stressed that the group remained cash positive.

He added that the group had completed its first phase of change away from heavy engineering and that its future direction was towards niche *markets such as instrumentation* and control. However Whessoe "was not emotionally attached to any one business".

In the period the holding in the Australian pipe and boiler fabricator was sold, resulting in a extraordinary credit of £495,000, and Whessoe (Ireland), the group's last heavy engineering fabrication business was bought by its management for about £700,000.

The interim dividend is lifted to 2.2p (2p), payable from earnings only up to 11.7p (10.2p) *after dilution by the rights*.

BOARD MEETINGS

TODAY

Interims- Ashley Group, Chrysalis, Kelsey Inds., Millwall, Richards, Wolverhampton & Dudley

Finals- Castings, Fitzwilton, Hells Homes & Gardens, Trimoco.

FUTURE DATES

Interims-	
Greencore	June 9
TR Property Inv.	June 1
Finals-	
Andrews Sykes	May 28
Blacks Leisure	May 28
British Steel	June 29
CML Microsystems	June 3
Cattyns	May 27
Clarke, Nickolls & Coombs	May 28
Cranswick	June 16
Electrocomponents	June 10
IWP Intl.	June 3
JF Fledgeling Japan	June 11
Kitty Little	May 28
Marston Thompson	June 9
St James's Place Capital	June 3
TDS Circuits	May 28

FINANCIAL TIMES SURVEY

■ **Luring the local saver; trading between east and west; key facts** Page 2

VIENNA

■ **The last tram from Stammersdorf: a visitor's guide to the city** Page 5

Friday May 22 1992

Eastern European countries are rushing to build links to the prosperous west, so the city is bubbling as the Habsburg Empire's historical bonds are recreated. Immigration does cause concern, but the city desperately needs new blood, writes **Ian Rodger**

Crossroads of vitality

VIENNA SEEMS on the verge of another golden age.

The city, which was once at the centre of a vast empire, is once again finding its place in the sun as eastern European countries *rush to build links to* the more prosperous west.

For most of the postwar period, the former capital of the Holy Roman Empire has ticked over very slowly, condemned to the political sidelines by its treaties with east and west, and with little but its monuments and a growing stream of tourists to remind it of former glory.

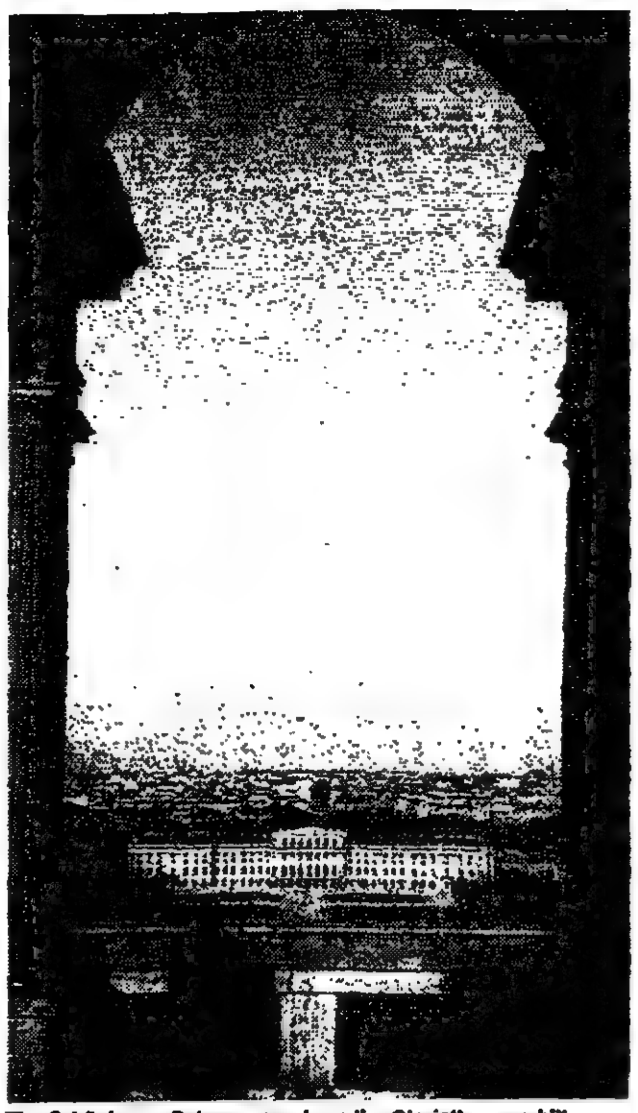
Today, Vienna bubbles with vitality, a crossroads again between east and west, with the sounds of many tongues echoing in the squares around St Stephen's Cathedral and the noise and bustle of construction from an ambitious urban renewal project, Donau-City, on the edge of the Danube.

The imperial triangle that once linked Vienna, Prague and Budapest in commercial prosperity is being rebuilt, helped immensely by the historical bonds implied in the often-heard phrase, "imperial yellow". That was the *dominant colour on the* Habsburg architecture throughout the region, and it symbolises the common heritage.

While too many other large cities have cracked under the strains of sudden massive immigration in recent years, Vienna so far has taken it largely in its stride. It remains one of the world's most *peaceful and liveable, as well* as beautiful, cities – well-managed by a competent city government, well cared for by its environmentally conscious residents and maintaining a relatively modest cost of living.

There seems very little on the horizon that could undermine that quality of life or the new sense of direction and excitement in Vienna. *Foreign businesses continue to* flood in to use the city as a base for their explorations of eastern Europe. Leading Viennese banks are scurrying to capture for themselves their former strong position in finance in the region.

Even the scheduled completion later this year, after more than 1,000 years of efforts, of a canal connecting the Danube to the Rhine will boost the city. *Its* harbour promises to be one of the busiest for transshipments along the 3,000-kilometre waterway from Rotterdam to Ismail on the Black Sea. Wiener Hafen, the company that operates the harbour, is planning to invest Sch250m over the next four years to expand its services.

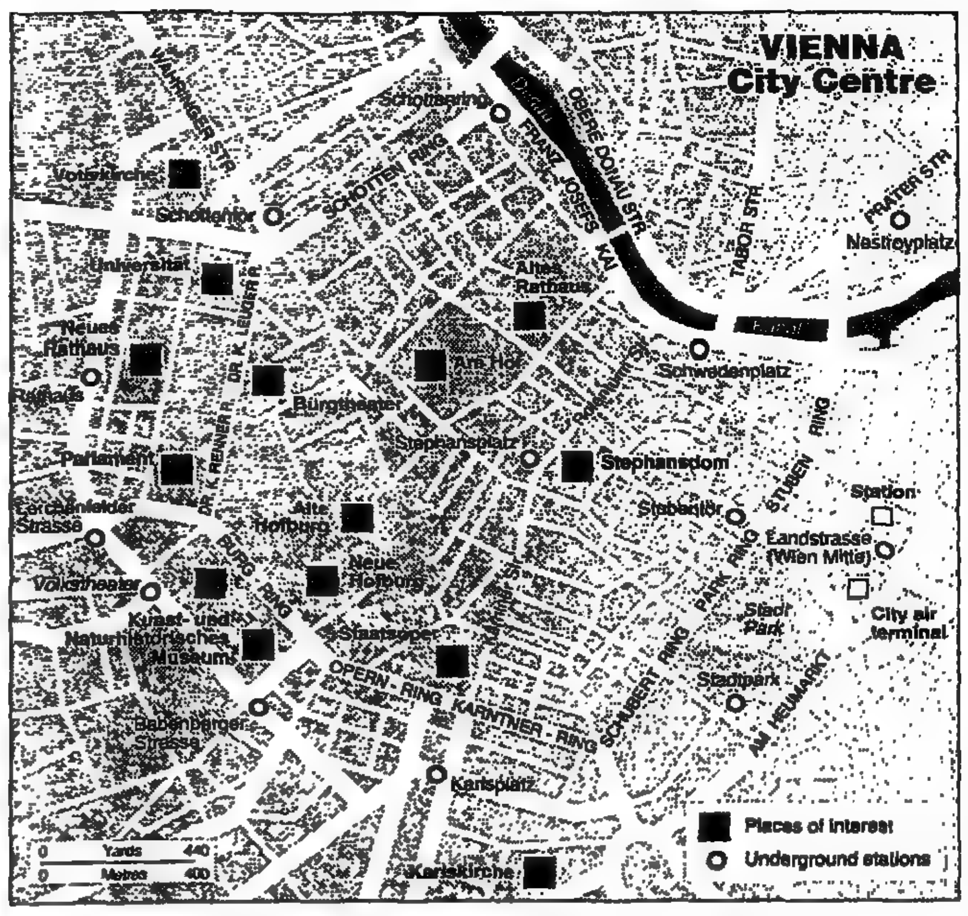


The Schönbrunn Palace, seen from the Gloriette, on a hill overlooking the palace, with the city in the background

The political life of the city is approaching a milestone, as Mr Helmut Zilk, the popular social democrat mayor, and Mr Hans Mayr, his deputy, are expected to retire at the end of their current term in *1995*. Some think they may retire even sooner, but Mr Mayr denies it. "I am not a prophet, but if everything goes according to plan, we will continue to the end of our term."

In last November's civic election, the Social Democratic party suffered considerable setbacks, ending up with 52 out of 100 seats, the slimmest majority it has had since coming to power in 1918. Mr Christoph Chorherr, the young city councillor representing the Green party, says the culture *of politics is changing, but* even he admits the city is run well.

Virtually the only concern one hears in the city is over public resentment about immigrants. There is no doubt that the high levels of immigration from eastern Europe in recent years have caused strains.



In the November elections, the charismatic Mr Jörg Haider, whom some accuse of courting neo-Nazi sentiment, *led his Freedom Party (FPOe)* to more than double its vote to 23 per cent. The party even displaced the conservative Austrian People's Party (OeVP) in second place at city hall.

The result drew comment around the world to the effect that neo-Nazi sentiment was on the rise, and that the Viennese were at least as intolerant of immigrants as residents of some other *western European cities*.

But viewed from close up, that result now looks less disturbing than it did at the time. For one thing, the OeVP had weak leadership and no programme to offer, leaving not only the FPOe, but also the Greens, which entered city hall for the first time, to capitalise on general discontent.

"I do not think it was the Haider factor," Mr Mayr says. "The irresponsible discussion of immigrants in the city *caused emotions to run high* and that hurt the other parties."

The outcome of the first round of elections for the national presidency last month suggests that things have calmed down a bit since last autumn. Mr Mayr and others note that, for the first time in several years, the conservative OeVP fielded a credible candidate, the diplomat *Thomas Klestil. And Mr Klestil* obtained a respectable share of the vote, 31 per cent, among the Viennese. Mr Haider's candidate, on the other hand, received only 14 per cent.

In any event, the most encouraging thing about the immigration debate in Vienna – and this is what differentiates it from similar debates in other large cities – is that the city's political and business leaders from all but the Haider end of the spectrum *support immigration. And not* just out of a sense of duty or moral obligation. They enthusiastically welcome it.

Their view is that, for various reasons, Vienna desperately needs new blood. For some, it is simply a matter of demographics. The city was actually in decline before the iron curtain lifted. Now it is growing again. For others, the energy brought by poor people *willing to work hard for low* wages is providing a welcome jolt to a somnolent economy.

For still others, it is a matter of cultural vitality. "The quality of culture and science here has never recovered from the loss of the Jewish upper middle class in the late 1930s," one banker says.

Fortunately, the city has been admirably planned to absorb immigrants – at least official immigrants – with a deliberate mix of middle and low-cost housing in most districts. Mr Mayr, who is also responsible for Vienna's finances, believes it can absorb between 15,000 and 20,000 new residents a year, although he *acknowledges a problem with* several thousand more illegal immigrants crammed into appalling ghetto-like conditions in a couple of city districts.

The city government is in the process of doubling its own apartment construction programme from 4,000 to 6,000 units a year, as well as renovating an additional 4,000 units as part of its policy of revitalising the inner city rather than developing satellites.

And this year, it has more than trebled its school construction budget to Sch500m. Mr Mayr expects this spending to remain at a high level for about five years, as *will budgets for special* language training and day care for children of immigrants.

All this is being handled with no evidence of strain on the city's finances. The city runs very modest deficits as a rule, last year about Sch2.3bn, which was Sch5bn less than forecast. This year it is budgeting for a deficit of Sch8.2bn on total planned spending of Sch104.4bn, but Mr *Mayr will probably manage to* compress it as usual.

Privatisation is also in the air, with the city planning to reduce its stake in Wiener Holding, a sprawling group with interests in hotels, cinemas, theatres, restaurants, construction, pharmaceuticals, a trade fair and the port of Vienna, by another 25 per cent later this year to 26 per cent.

Even the Green party, which *won seven of the 100 seats at* city hall last November, admits that the city has few serious problems. "We are a very rich city and we have a population that is very sensitive to the environment. That is a chance for us. We could be a model for the world," says Mr Chorherr.

KEY FACTS

Area	41,495 hectares
Population: 1990 (1981)	1,564,051 (1,531,346)
of whom foreigners	13.2% (7.4%)
Immigration: 1990 (1981)	70,527 (13,173)
Emigation: 1990 (1981)	47,685 (23,698)
Gains/losses due to migration	+22,842 (-10,525)
Council seats: 1991	*Socialists 52, Liberals 23, Conservatives 18, Greens 7*
Council seats: 1987	Socialists 62, Conservatives 30, Liberals 8
Gross value added (1976 = 100)	131.8 (1989) 113.7 (1981)
Value of total industrial production	Sch120,718m (1990), *Sch88,017m (1981)*
of which, electrical machinery	30.3% (1990), 22% (1981)
food, beverages and tobacco	18.3% (1990), 21.7% (1981)
chemicals	12.2% (1990), 14.3% (1981)
Banking institutions	160 (1988), 119 (1976)
Banking employees	*28,651 (1988), 23,422 (1976)*
Unemployment rate	5.8% (1990), 2.1% (1981)
Number of vehicles	654,671 (1990), 572,328 (1981)
Vehicles per 1,000 inhabitants	418.6 (1990) 373.7 (1981)
New registrations	*73,340 (1990), 58,995 (1981)*
Air traffic (Schwechat Airport)	
Passenger arrivals	2.76m (1990), 1.47m (1981)
Aircraft departures	39,905 (1990), 27,894 (1981)
Natural gas consumption ('000,000 cu m)	*1,728 (1990), 1,051 (1981)*
Electricity consumption (GWh)	8,549 (1990), 6,338 (1981)
Maximum daily demand (MWh)	30,916 (1990), 24,719 (1981)
Total amount of waste (tonnes)	679,577 (1990), 658,938 (1989), 595,055 (1983)
Domestic waste (tonnes)	468,608 (1990), 476,850 (1989), 384,313 (1983)
Domestic waste per inhabitant (kg)	299.6 (1990),311.3 (1989), 251.6 (1983)
Hospital and hazardous waste (tonnes)	8,222 (1990), 8,041 (1989), 4,670 (1983)
Recovery (tonnes)	114,072 (1990), 99,151 (1989), 28,801 (1983)

Source: Vienna in Figures, published by Central Bureau of Statistics, City of Vienna

FINANCIAL MARKETS

Luring the local saver

IN VIENNA, the stock market sometimes appears to be closer to the tourist scene than the banking industry. Austrians provide foreigners with a *casual and colourful setting* and expect them to supply the funds. Most of the locals, however, never set foot in the market.

The bourse, located in an opulent 19th century building that was nearly gutted by a fire in the 1960s, was one of Europe's most sleepy backwaters until 1985, when Barron's Mr Jim Rogers recommended Austrian shares to his readers.

A few foreign investors, bidding up an illiquid market, sparked a powerful boom, which fizzled out after a few exciting months. The cycle repeated itself after the barriers with the eastern bloc came down in 1989, when foreigners fell in love with Austrian shares and turned Vienna into Europe's best-performing market. But the addiction to orders from abroad left Vienna with a hangover when the euphoria faded.

While the effects of the Gulf War no longer have an impact *on other major markets*, the war in Yugoslavia, which in its initial stage was also fought on the Austrian border, has kept the Vienna bourse in the doldrums for nearly two years. The major indices are now 40 per cent below their peak of March 1990, and only slightly above the bourse's 1991 lows.

So the stock market scene has began to resemble Vienna's tourist highlights also with its nostalgic mood. Traders and syndicate managers love to sit around and talk about the good old days. The mood in the small trading room, where about 100 issues change hands for only two hours a day, is quite subdued these days.

With only a handful of blue chip stocks, none of them with a free float of more than 50 per cent, the choice for investors is quite limited. Some of the big publicly traded companies are foreign-owned, and many more are majority-controlled by the federal government.

While Austria has taken some steps toward privatisation of its large state-owned sector, the Social Democrats of Chancellor Franz Vranitzky still resist a cut of the state's *stakes in the biggest banks and* industrial companies below 50 per cent. Among the financial shares, the biggest single sector in the market, 30 per cent of Creditanstalt's stocks and only 6.5 per cent of Bank Austria are in public ownership.

The big banks, in turn, hold major stakes in many other companies. The new issue market, which has remained dormant for more than a year, is unlikely to enlarge the range of choices much. There is a flurry of new stock offerings expected for the coming months, but most of them are small and medium-size companies with little appeal to international investors.

Even the initial offering of Girozentrale, the country's third largest bank, is expected to be small, and the timing is still undecided. The long-awaited initial flotation of state-owned industrial giant Austrian Industries, originally scheduled for this year, had to be postponed until 1993 because of weak earnings at its *steel and aluminium divisions*, and most observers expect further delays.

OMV, Austrian Industries' oil subsidiary with a 25 per cent *free float, is one of* the market's most attractive issues. But over the past few weeks it has seen a significant drop after reporting a loss for the first quarter.

A major drawback for the Vienna bourse is the weak interest of domestic investors. "Austria is a savers' nation, the savings rate is 14 per cent, but people don't invest in stocks. The interest paid on savings accounts at the end of the year can buy up the free float on the Vienna Stock Exchange," says Mr Michael Lielacher, general manager of the Vindobona Privat-Bank in Vienna. Less than 4 per cent of the population own any equities, but bankers say this is nearly a four-fold increase over the early 1980s.

Mr Peter Szobo, head of

A cut in state stakes in banks and industry is being resisted

equity research at Girozentrale, says he expects a further doubling of ownership over the next five years. "There is no base of institutional investors, *but this is slowly getting better*. Life insurance companies and pension funds are diversifying their portfolios. It is just not changing from one day to the next."

The limited ownership cannot be explained by a lack of efforts. Various privatisations *in the past few years* have been accompanied by a wave of advertising. And to the surprise *of television viewers*, the state-owned network ORF has begun to report trends on the Vienna and international stock markets in its evening news.

Experts say a renewed bull market would do most to lure more domestic investors to the bourse. They regard the high level of German interest rates, which Austria is forced to match to keep the Schilling pegged to the D-Mark, as the main obstacle to an upturn. So analysts in Vienna are closely watching the trend in Austria's northern neighbour to forecast the fate of the local market. Mr Lielacher says he expects a rally in Austrian shares after German interest rate cuts in the middle of the year.

Vienna could easily outperform Frankfurt "because we don't have to pay for the take-*over of a whole country*," he says. The market should also benefit from an economic recovery in neighbouring Hungary and Czechoslovakia, where Austrian companies have made large investments, he adds.

One of the surprising success stories in Vienna is the fledgling futures and options market, OTOB, which started up last October. Using the Swedish *OM* system, OTOB has launched trading in stock options with few hitches and by February reached an average daily volume of 10,000 contracts in six stocks.

Mr Christian Imo, who left the Frankfurt options exchange (DTB) to head OTOB, says the success reflects the need for a transparent and liquid investment vehicle in Vienna. The bearish and volatile mood on the spot market has also spurred demand for a good hedging instrument, he says.

In the summer, OTOB is planning to launch an option on the ATX, the new real-time stock index which includes 18 blue chip shares. "It will be the *first product that is really com*petitive in the international market," Mr Imo says. "Investors will be able to buy the country risk without having to investigate the whole market."

The relationship between OTOB, which is jointly owned by Austria's banks, and the Vienna stock market is one of polite co-existence, not co-operation, observers say. Because the bourse insists on maintaining its official monopoly in Austria, OTOB is not allowed to call itself a bourse. The institution is registered as a bank.

Eric Frey

Trading between east and west

Middleman keeps busy

WHEN THE iron curtain was ripped apart in 1989, there was considerable anxiety among business circles in Vienna.

This was because it was feared that the city would lose its special and highly profitable role as a middleman in trading – often rather murky trading – between east and west.

In the event, the fears were totally unfounded. The city has already become a regional financial centre for central and eastern Europe and, along with Berlin, is a preferred base for the hundreds of western companies seeking to do business in eastern Europe.

Viennese business leaders are naturally cautious about proclaiming their city a new international financial centre. "We can never expect to compete with London," one banker says. But a lot is happening. The big Austrian banks have all established – perhaps one should say re-established – offices in eastern Europe and the former Soviet Union, and aggressively pursue all kinds of financial business there.

The banks are also bringing trainees from these countries into Vienna to learn the business.

"We regarded it as our extended home market," an official of Creditanstalt, the second largest bank and most aggressive in eastern Europe, says. The bank now has offices in Prague, Budapest and Warsaw and has just acquired a bank in Slovenia.

Creditanstalt even intends to offer retail banking in some of these countries. "We have advantages in eastern Europe, and for the moment there is no other competition. The Germans look fully occupied for a long time, and by the time they move in, we hope to be well established," a bank official says.

The big banks are also bringing eastern European businesses to Vienna to raise capital. More than half the volume of Hungarian shares is traded in Vienna. Mr Gerhard Randa, deputy chief executive of Bank Austria, the country's largest bank, has proposed setting up a central European stock exchange based in Vienna once exchanges are set up in a number of eastern European cities.

He has also suggested the creation of a publicly financed know-how fund to aid development of companies in eastern Europe.

Another element of Vienna's importance as a financial centre for the east derives from Austria's bank secrecy laws. Switzerland has passed legislation obliging banks to know their customers but Austria remains one of the few hard currency countries in which anonymous numbered bank accounts are permitted.

Office space is cheaper than in Budapest, where phones are hard to find

Until recently, Austrian banks have downplayed the significance of international private banking in their strategies, but they are becoming more excited about it amid indications that large private fortunes from eastern Europe are moving into Vienna.

The other main contributors to Vienna's growth these days are western multinational companies. "We have had a boom ever since the old Comecon countries opened," Mr Friedrich Heitzinger, deputy managing director of the Vienna Business Promotion Fund (WWFF), says.

The list of international companies that have set up bases in Vienna in recent years runs from Sweden's Alfa-Laval to Yamaha of Japan, and continues to lengthen. The WWFF claims to have helped 500 companies in all since its formation 10 years ago. One banker claims that over 300 western companies have set up liaison offices for doing business in eastern Europe in the past two years.

Companies choose Vienna as a base for eastern European operations for several reasons. For one thing, it has excellent and reliable transportation and communication infrastructure. "In Budapest, you have little chance of getting a telephone these days," a Viennese banker says.

For another, the city is very pleasant to live in, with good housing and schools available. And office space is cheaper than in Budapest. The Vienna city council keeps a bank of 3m square metres of various types of office and industrial space available for newcomers.

Mr Heitzinger says some western companies have set up offices in eastern European cities but then abandoned them in favour of Vienna because of the practical difficulties of operating in the east.

As compared with other gateway cities, such as Berlin, Vienna also has the advantage of strong historical and linguistic links with its neighbouring countries. "Many people here speak Czech or Hungarian, so we have no difficulty finding good people," says Mr Katsumi Ishibashi, manager of the Bank of Tokyo's representative office in Vienna.

Japanese businesses have been particularly enthusiastic about Vienna, and the city has been the beneficiary of their well-known tendency to move in packs. "Four years ago, there were only 30 Japanese companies with offices in Vienna. Now there are nearly 100," Mr Ishibashi says.

Mr Masahiko Murakami, assistant manager of the eastern European liaison office of Matsushita Electrical Industrial in Vienna, says he appreciates the ease of getting visas for Poland, Hungary and Czechoslovakia in Vienna. "Even German companies set up here," he observes.

Other industrialists point to the opportunity for their children to learn German, which they feel will be more useful than learning an eastern European language, as they would have to do if they were living in an eastern European city.

Because of the expansion, Bank of Tokyo will next month upgrade its 20-year-old office in Vienna to branch status. There must be few other Japanese banks expanding anywhere else in the world in these tough times.

It is not clear yet whether, once the eastern European countries have reached a certain level of development, companies will set up offices there and phase down their operations in Vienna. To an extent, some observers say, this is happening already, with a few companies putting labour-intensive operations into the east as quickly as possible to take advantage of low wages.

However, Vienna should keep and enhance its importance as a base for corporate services, such as legal, accounting and consulting services. H Neumann International, the Vienna based executive search group, has just established a co-ordinating office in the city for what it calls the new Europe.

"I do not believe that the use of Vienna as a co-ordinating base will drastically increase, but as a knowhow centre it will stay important," predicts Mr Tamas Toth, manager of Neumann's new Europe division.

Ian Rodger

Ian Rodger on the environmentally conscious Viennese

How waste has been cut

FEW CITY dwellers in the industrialised world are as environmentally conscious as those of Vienna. The city government, with solid support from its residents, has in recent years cracked down on industrial emissions and is slowly turning the screws on car traffic.

Catalytic converters for cars have been compulsory since 1987 and leaded petrol will be prohibited from next year. Permanent parking on main streets in the city will be outlawed from next year as well.

Meanwhile, the city has been improving its public transport system, already an easy-to-use network of underground trains, high speed suburban trains, trams and buses. On the energy front, it continues to put the emphasis on renewable sources of power, with a Sch15bn hydro plant on the Danube downriver from Vienna due to come on stream next year.

However, the city's most impressive achievement in the past few years has undoubtedly been its attack on rubbish. This attack is immediately apparent to every visitor because of the ubiquitous different coloured rubbish bins, each indicating the kind of rubbish you are supposed to put in them, located at every main square, outside underground stations and on pavements at regular intervals.

There are, at a recent count, no fewer than seven categories – organic, paper, plastic, metal, aluminium cans, clear glass and coloured glass – into which residents are supposed to divide their rubbish. In addition, dead batteries must be returned to special collection points.

It is all part of a programme begun by the city five years ago to slow the inexorable growth in rubbish tonnage. It was also aimed to allow the Viennese, who were known to be ecology conscious, to do something concrete to help in the cause of a better environment.

Mr Michael Häupl, city councillor responsible for environment, recreation and sports, is convinced of the programme's success. In 1990, the average inhabitant generated 299.6 kilograms of rubbish, 11.7kg less than in the previous year.

Mr Häupl, a biologist by training, says the response of Viennese has been outstanding. Last year, 180,000 tonnes of waste material was recovered for recycling, and he predicts the city will be recycling 30 per cent of its rubbish – the programme's target – by 1994.

This has been achieved without any legal pressure or sanctions on people. "Theoretically, there are laws, and fines to punish people who do not co-operate, but we do not think it would be sensible to impose them. We work at trying to raise awareness in people to motivate them to do it," he says.

He acknowledges that the city's net operating costs for waste disposal, evn after taking account of revenues fra sales of recyclable material, have risn because of the complicated logistics of te programme. But he suspects that te increment is only a small proportion of te overall 25 per cent rise in rubbish leviein the past five years. "Most of it is for rw equipment, such as filters and scrubbrs, and for capital improvements to the wo existing incinerators."

The most important saving, thougl is that the city will not have to build a ew incinerator. Mr Häupl says the city recognised five years that it had to try t do something to stop the growth of rubish generation. Apart from the high cst of building new dumps, it would face srong opposition from environmental grops to establishing new ones, so it set outo get around the need to set up new was-handling facilities.

The next stages of the progamme involve encouraging people to redue their generation of waste and getting idustry involved. "So far, we have worke only at the domestic level. We are st-ting to require large businesses to set u policies to reduce waste and maximise rcycling," Mr Häupl says.

He also wants to work moron other environmental problems, inclding the excessive use of cars in the cit. "That is our biggest problem, in terms (air pollution." Already a third of cars in the city have catalytic converters, but he says progress in improving air quality is too slow. "The Viennese are schizophrenic about cars. They are even fonder of them than Italians, but they want their life to be free of the problems caused by cars."

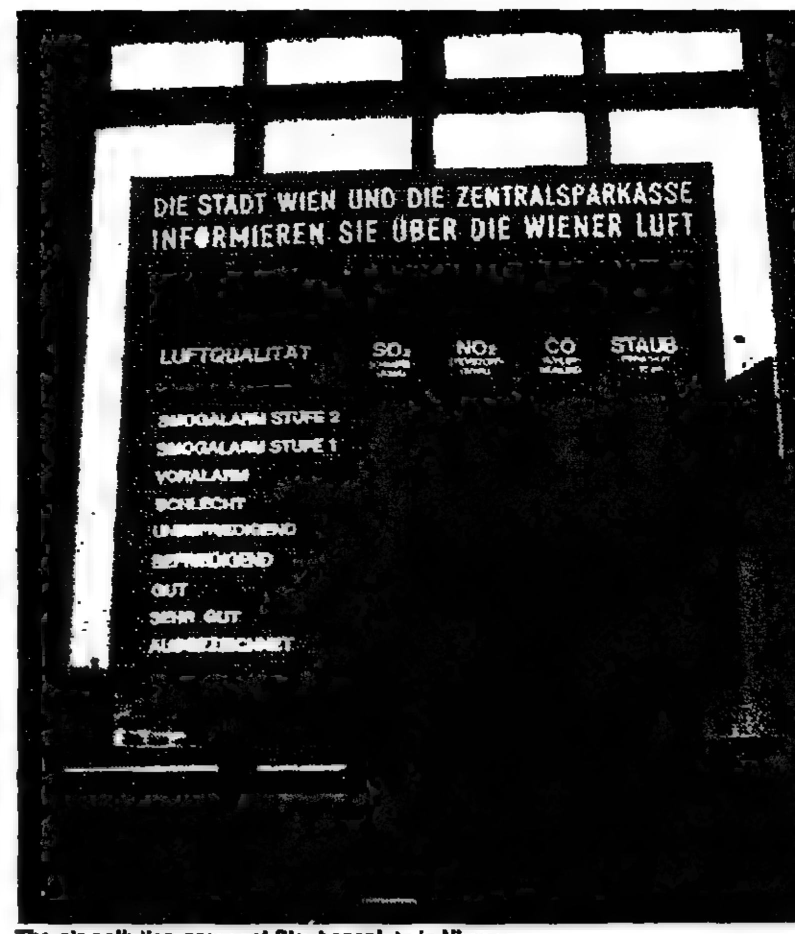
He says he welcomes the presence of Green party representatives at City Hall since the election last November, because they are very helpful in counteracting the political strength of the car lobby.

Mr Häupl acknowledges that Zurich has succeeded in discouraging car traffic through rigid road engineering and severe limitations on parking places, but he points out that this has led to the emergence of a political party in Switzerland that favours easing controls on cars.

Another problem that is hard to deal with is caused by dogs. Vienna has about 100,000 of these, relatively high by European standards. "It is not a problem of dogs, but of dog owners. They think there should be a city official walking along behind them picking up after their dogs," he says. The city tries its best, frequently replacing sand in park sand boxes and creating places for dogs to do their business, but it seems to be a losing battle.

Still, the Viennese are proud of their record on the environment, so much so that they fear joining the European Community on the grounds that EC standards are lower than Austrian ones.

Mr Häupl dismisses this view as too simplified. In controlling air pollution, Austria is more advanced than the EC, but the EC's water standards are higher than Austria's. "In any event, the EC regulations do not prevent you from exceeding their standards."



The air pollution gauge at Stephansplatz in Vienna

TOURISM

For culture, look no further

WHAT COULD Vienna – and Austria, as a whole, for that matter – possibly do for an encore after celebrating the bicentennial of Mozart's death?

The answer, which is already being transmitted round the world by the Austrian National Tourist Office, is to prepare for the millenium of the founding of Austria in 996.

While that event in itself is no more likely to excite foreign tourists than did the 700th anniversary of the founding of the Swiss confederation last year, the Austrians are cunningly combining it over the next four years with various significant dates in the long and distinguished history of the Habsburg dynasty.

This year, for example, an exhibition of historical materials is being presented in Seville and in Salzburg on Austrian links with Spain at the time of the discovery of America 500 years ago. The discovery coincided with the formation of the Casa de Austria in Spain by King Maximilian I and the subsequent empire of Karl V on which the sun never set.

All of this is in aid of what is known as cultural tourism, a field in which Austria – and Vienna, in particular – is one of the world champions.

Officials at the Austrian National Tourist Office suspect that about one-fifth of the 25.7m visitors who came to Austria last year had mainly cultural pursuits in mind. Ms Evelyn Miksch at the Vienna Tourist Board says that virtually every tourist who visits the city is coming for culture.

Whether it is for the music of the Vienna State Opera and the Vienna Philharmonic Orchestra or for the treasures of its 80 museums or for the architectural splendour of the Habsburg palaces, the city has something splendid for virtually everyone.

Tourism, as one might expect, is extremely important to the economy of Vienna, although not as important as for the country as a whole. While tourism accounts for 8 per cent of the national product, it yields 6 per cent of Vienna's output.

The main trends of the past few years have been surges in tourists from Japan and from eastern Europe. The number of overnight stays in the city by Japanese soared from 95,500 in 1981 to a peak of 318,000 in 1990, making them the fourth largest national group of visitors, after Germans, Italians and Americans. Numbers tumbled last yer, however, because of fear arising from the Gulf War an the unrest in Yugoslavia.

The Japanes, with their orderly ways ad high spending tendencis, are highly prized by the city's tourist operators, andit is no longer uncommon tosee theatre programmes, retaurant menus and official turs provided in Japanese. Many hotels also provide Japanese television programmes.

Attitudes toward eastern European visitors are less enthusiastic. When the borders with Czechoslovakia and Hungary opened in late 1989, there began a peiod of flsh floods of eastern Europea tourists. Usually on weekends, this would take the forn of caravans of rickety, exhaust-spewing coaches roarig into the city early in the morning.

Hotels and pensions in 1991: top 10 sources of tourists

Rank (1990)	Country	Overnight stays	% change
1 (1)	Germany	1,445,000	+0.5
2 (4)	Austria	799,000	+14.2
3 (2)	Italy	786,000	-16.5
4 (3)	US	451,000	-44.1
5 (6)	Spain	331,000	+8.8
6 (7)	Switzerland, Liechtenstein	282,000	-6.9
7 (5)	Japan	273,000	-14.2
8 (9)	France, Morocco	257,000	+5.2
9 (8)	UK	248,000	-9.5
10 (10)	Netherlands	126,000	+3.6
	All sources	5,439,000	-7.6

Source: Vienna Tourist Board

The visitors, who had spent the night in the coach to save the cost of a hotel, poured into the streets, inspected the great imperial palaces and other historic sites and then repaired to parks to eat sandwiches brought with them. At dusk they got back in their coaches and left for home, having spent hardly a schilling.

For most of them, it was a first opportunity to see a western city. And it happened to be a city with which they had many historical and family connections. The architecture of Vienna and even the imperial yellow colour of much of it is the same as that found in the eastern countries that were, until 1918, part of the Austro-Hungarian Empire. Also, it is said that nearly half the names in the Vienna telephone book are of Czechoslovak or Hungarian origin.

"We have to be patient with them, and most people understand that," Ms Miksch says.

It must be said that the coach problem is not just restricted to those coming from Hungary and Czechoslovakia. Most days in the summer, there are hundreds of coaches from all over Europe trying to squeeze into small parking lots at the city's most popular tourist sites.

Led by the Green party, many citizens would like to severely limit the movement of coaches in the city, and ultimately banish them to depots on the city outskirts.

"We are not hostile, but there are limits," says Mr Christoph Chorherr, the Greens' member on the Vienna City Council. "All of our famous sites are served by trams. We should build up our public transit service, with special services for tourists."

The tourist industry says many visitors are elderly and cannot be forced to walk. But Mr Chorherr says they do in Venice and in the centre of Vienna already, so they can do it elsewhere too.

With such a highly developed tourist industry, it is fair to ask if the city is reaching its capacity limit. There are times of the year, notably around new year and Easter, when the city is absolutely jammed with tourists, and it becomes quite unpleasant, but tourist industry officials point out that the average hotel occupancy rate is only 60 per cent.

The Vienna Tourist Office is trying to promote the idea of visiting the city off-season. Ms Miksch agrees that first-time visitors should come during the late spring or summer so they can walk around freely and get a feel for the city. But anyone who is returning with a view to a serious study of a museum or art collection would be better off doing it in January or February when he is less likely to be distracted by crowds.

Ian Rodger

Judy Dempsey previews next months flotation and considers its impact

Airport may become competitive

VIENNA International Airport (VIA) is set to be the second airport group in the world to seek flotation on the public market. In joining the British Airports Authority (BAA), VIA is likely to become more competitive and will be well placed to promote itself as a potential hub.

Early next month, between 5.3m and 5.5m new bearer shares, each with a nominal value of Sch100 and representing 27 per cent of the enlarged share capital, will be sold to the public. Proceeds from the issue will raise about Sch1.8bn.

The flotation means that the three current shareholders – the Republic of Austria, (which holds 50 per cent), the province of Lower Austria (25 per cent) and the City of Vienna (25 per cent), will have their share capital reduced to 36.5, 18.25 and 18.25 per cent respectively.

Two-thirds of the listed shares will be earmarked for the domestic market, with VIA employees having the opportunity to buy 16 per cent of those shares. The remaining third will be set aside for the international market.

The VIA authorities decided to seek a flotation on the public market for two reasons. First, it requires capital to complete the expansion and modernisation of the airport, probably one of the most "user-friendly" airports in the region. Second, it is setting its sights on becoming a key secondary hub for central Europe.

Expansion is vital if VIA is to tap the potential of the two runways which can cope with 300,000 movements (landings) a year, including night-time flying for Stage 3 aircraft. Movements are currently running at approximately 130,000 a year, largely because the terminals can at present deal only with 6m passengers a year. The two runways have the potential to handle 20m passengers a year.

Several investment programmes aimed at modernising the airport have recently been completed. Between 1989 and 1990, Sch1.8bn was invested on expanding the departure terminal facilities and the arrivals terminal, and building an eight-storey car park.

Current investments include the extension of the passenger terminal, the check-in hall, arrival hall and transit area, to twice their capacity, or twice in size by the end of 1992. Investments for 1992 will total Sch1.7bn, and Sch1.3bn in 1993.

But what is the attraction of Vienna airport? Those who have lived there and have used the airport to fly to eastern Europe, acknowledge the relatively high standard of services and the manageable size of the airport, where, unlike some European airports, passengers do not have to walk long distances to the gates.

Yet, despite Vienna's proximity to central Europe, over the years VIA curiously failed to attract any significant cargo or transit passengers. Little emphasis was placed on freight traffic.

With the construction of warehousing and a freight forwarding building, VIA is determined to tap this market. The decision by Austrian Airways (AUA) to operate DC9s in the late 1970s partly explains why attention to freight and cargo was minimal: DC9s have little cargo space.

Moreover, VIA also failed to tap the potential of the airport as a transit airport. Between 1987 and 1991 transit traffic has remained around 250,000 a year, despite the revolutions which swept eastern Europe in 1989. Officials and bankers involved in the flotation admit that VIA – and AUA – have to adopt a much more aggressive marketing strategy to get passengers to use the airport as a transit to the capitals of eastern Europe.

But the opening of eastern Europe and the Commonwealth of Independent States, means that Vienna airport, including its ancillary services, will have to be more competitive. Austrian Airways, which until recently held a near monopoly in Austria and the charter-flight sector, remains expensive; duty-free is almost prohibitive, and on airport charges (including landing fees) it ranks eighth highest in the world.

VIA's aeronautical activities are regulated by a pricing formula set by the Austrian Ministry of Transport. A public flotation should make VIA more competitive.

In the meantime, VIA is in the process of promoting its main strengths:

- growth in passengers. The opening up of eastern Europe expands its catchment area – from 3m people – Vienna and its conurbations – to 14m encompassing Budapest, Prague, Bratislava and Zagreb. Passenger volume has grown above 10 per cent every year since 1987. The Gulf war and the Yugoslav crisis in 1991 broke that growth.
- congestion at other major European airports. In contrast to many of Europe's major airports, airspace over Vienna, and aircraft ground handling facilities are not overloaded.
- development as a second-tier hub for two types of transfer traffic: traffic between east and west Europe, and long-haul traffic whose ultimate destination is a secondary location in Europe (probably eastern Europe).

If the flotation is coupled with a marketing strategy designed to highlight these features, and if the flotation will make the services at VIA more competitive, Vienna can hardly lose.

PROPERTY MARKET

Some signs of nervousness

IT IS a strange bird, this Viennese property market. Until the early 1980s, there was no genuine commercial development to speak of, as some of the world's most restrictive rental laws made it virtually impossible to build for profit. In 1981, a new law permitted developers for the first time to set their commercial rents and terms of contracts freely, at least in buildings completed after 1967.

The vast stock of older buildings in Vienna, where most offices are still located, remained under strict rent control laws. It took a few more years, and more legal changes, for the first profit-oriented development projects to spring up, mostly on the city periphery.

The majority of the big office buildings completed by the late 1980s had been built by banks, insurance companies or public institutions for their own use. But with the help of sustained economic growth in the late 1980s, the opening of eastern Europe and the plans for a world fair to be held jointly with Budapest in 1995, commercial development took off in 1990, and prices went through the roof.

The World Trade Centre at Vienna Airport, one of the first modern office buildings built for profit, filled up quickly, as did several premises combining hotels, shops and offices.

But, as more office space is coming to the market, developers are showing signs of nervousness. Rentals for top locations and high-quality offices are still rising fast, but filling new buildings at the city outskirts is no longer that easy. Last year, 20 new projects added 74,000 sq metres of new office space. The increase is estimated at 180,000 sq metres for this year and 175,000 sq metres for next year. A further 600,000 sq metres is in the planning stages.

Yields at many completed projects are well below the 5 per cent set as a minimum by international investors. The most prominent failure is the Haas Haus, near St Stephen's Cathedral, perhaps the city's most impressive location. The innovative building has been an architectural triumph for its designer Hans Hollein, but it is a commercial flop for the Austrian banks which own most of the property.

Sales in the exclusive stores on the lower levels fell short of expectations, as did rentals of the high-priced offices. Developers say there is enough potential demand to fill all these premises. The problem is how to convince hundreds of small companies and professionals with offices in residential buildings in the city centre to move to new high-tech offices at the periphery.

"Once people realise that their old offices lack facilities such as doormen, centralised cleaning services, air conditioning and modern wiring, there should be strong demand," says Mr Martin Engelberg, local project manager of the Concorde Business Park, a multi-purpose development near the airport. "But people have overestimated the mobility of tenants."

Moreover, Austrian developers are still beginners when it comes to marketing, he adds. For commercial reasons, the Austrian government is planning to set a good example. Government ministries and offices, occupying some of the choice buildings in the centre, are set to move to new accommodation in the suburbs. Even the finance ministry has now decided to abandon one of the city's most beautiful baroque palaces, and the administration of Lower Austria, the province surrounding Vienna, will move to the new state capital at St Polten.

These transfers will release some coveted real estate in Vienna, which the government can sell or rent out at top prices. Even as some of the new office centres are sailing into troubled water, sails are not being struck. Office rents continue to rise, and are reaching levels seen in other European cities. After climbing 10 per cent in 1990, rents at high-quality locations jumped another 30 per cent last year to an average of Sch180 a sq metre. Rents at the best properties in Vienna's fashionable city centre advanced to Sch350 a sq metre last year from about Sch260 a year before.

Analysts do not see an end to that trend. "Top office rentals in Munich and Dusseldorf are a bit higher, those in Brussels and Hamburg a bit lower than in Vienna," says Mr Manfred Weidmann, real estate analyst at Creditanstalt. "Given its role in the world economy, international real estate experts no longer consider Vienna to be cheap. Comparisons with cities like London, Paris or Frankfurt are not appropriate."

Optimism in the real estate market was dampened a year ago when the Vienna electorate, in a surprise move, voted against plans for a world fair. In the months leading to the referendum, hopes that the Expo project would lead to a sustained real estate boom had boosted prices for commercial and residential property, especially in the area near the designated site at the banks of the Danube. But even before the world fair plans collapsed, analysts were predicting the bubble would burst.

A major challenge for the Vienna property market is the development of the original Expo site, set in a sparsely populated district across the Danube. Shortly after the referendum, the leaders of the investment consortium opted to go ahead with construction of a major office and residential development.

Nomura, the Japanese brokerage house, several Austrian banks and development companies owned by the city of Vienna set up the Vienna Development Company for the Danube Area (WED) to develop the Sch15bn Donau-City, which they say is Europe's third largest urban development project. But the final designs and the financing for the project, which should offer 365,000 sq metres of offices, apartments and recreational activities, are still evolving.

WED wants to start preliminary construction this summer and complete the first units in 1997. It is intended that Donau-City should create a second commercial and residential centre outside the city's historical core. The property is located next to the international centre, which houses the headquarters of several UN agencies, and a large recreational area on the Danube.

In line with Vienna's ecological image, WED wants to create ample green space between the buildings, but whether the project should include high-rise towers in an otherwise low-rise city is a question still being debated. Adjacent to Donau-City and the UN centre, the federal government is preparing for another major construction site to house the new UN chemical weapons agency. Vienna is bidding against the Hague and Geneva for its headquarters.

Eric Frey

The federal theatre's problems

Dramas made out of a crisis

THE Bundestheater Verband, the Austrian federal theatre company, has seen its share of trouble in recent months. First came a public storm over the director of the Burgtheater, Mr Claus Peymann, whose contract was renewed despite widespread condemnation of his management style.

Just when the controversy regarding Austria's foremost theatre abated and the outspoken Viennese audiences had settled back to grumbling quietly about falling standards and neglect of tradition, the director of the State Opera died of a heart attack at the end of March, after only seven months in the office.

The death of Eberhard Waechter, who was 62, "is a disaster for the Staatsoper," says Mr Georg Springer, the general manager of Bundestheater. "Waechter had been the reason for a major structural change at the opera."

One of world's leading baritones, Waechter had been manager of the smaller Volksoper, or People's Opera, and his appointment as Staatsoper director put the two houses for the first time under a single leadership. As a result, smaller productions could be shifted to the Volksoper, used predominantly for operettas, thus raising its often belittled artistic level.

> It is in a league with the Met in New York and the Scala in Milan

The void left by Waechter will be hard to fill. Mr Ian Holender, co-director of the Staatsoper in charge of administration, was immediately named to lead the two institutions by himself, but that is seen as an interim solution. Without Waechter's authority, Mr Holender will have a hard time to carry out the new concept of opera management that was introduced last year amid loud protests by Vienna's artistic opinion-makers.

The double crisis at the Bundestheater is no small affair for Vienna. The state-owned theatre group claims to be the world largest stage company, with annual turnover of more than Sch2bn. As only a quarter of that is met by ticket sales, covering the deficit is a constant and growing burden on Austria's federal budget.

The four theatres of the Bundestheater play a central role in Austria's art-obsessed capital. The Staatsoper, in a league only with the Metropolitan Opera in New York and the Scala in Milan, is Vienna's greatest tourist attraction, and the Burgtheater and its smaller offshoot, the Akademietheater, aspire to lead the German-speaking drama world.

Debates over personnel and policy decisions at the theatres regularly fill the pages of Austrian newspapers and preoccupy the intellectual and social elites in the city for weeks.

At the Burgtheater, German-born Mr Peymann has aroused the ire of the conservative audience with innovative plays and staging approaches since coming to Vienna from Bochum in 1986. He brought a group of excellent German actors with him, driving many of local favourites, with life-time contracts at the Burgtheater, off the stage.

Critics claim that he has concentrated too much on showpiece productions, many of them directed by himself, while neglecting the day-to-day operations of the theatre. Those voices grew louder at the beginning of the year when extended rehearsals for a Macbeth production directed by Mr Peymann forced the Burgtheater to keep its doors shut for more than a dozen nights. The cancellations upset the theatre's most loyal audience, the holders of season tickets, and prompted some to return their tickets, which are often passed down from generation to generation.

However, the opening of Macbeth was a success, like most of Mr Peymann's cherished Shakespeare productions, but reviewers suggested that he could have achieved the same with less turmoil.

"The shock over Macbeth went deep," says Mr Springer, the Bundestheater manager. "Peymann had to learn the hard way that as a manager, he cannot afford to be put in such a position by Peymann, the artist."

When Mr Rudolf Scholten, Austria's minister of education and the arts, extended Mr Peymann's contract in February just before the opening of Macbeth, it sparked a revolt among the Burgtheater's disgruntled staff. The actors' council, including Mr Klaus Maria Brandauer, resigned in protest and demanded fundamental change.

Mr Springer says the dispute between Mr Peymann and the actors has so far not been resolved. "The peace [in the theatre] is not one of satisfaction or resignation, but it's the peace of the graveyard," he says. "The atmosphere in the house is worrying."

A very different strategy was adopted by Eberhard Waechter and Mr Holender, the former owner of a major artists' agency. Rather than pouring millions into a few star productions, the two managers undertook an overhaul of the regular nightly programme seen by most tourists and regular local visitors. "The repertory was rotten. It was high time to improve it – it had fallen apart materially and artistically," says Mr Springer.

Rather than depend solely on international stars, the Waechter/Holender team started to build up a reservoir of younger singers who would stay with the opera for a few years. The price was to do without any new productions in the first season, which the public did not seem to mind, but many art critics called a sell-out.

Mr Springer says the attacks on the concept were "not only nonsense, but infamy". In the season starting in September the Staatsoper has scheduled as many new productions as in the past, including all of Richard Wagner's "Ring der Nibelungen" cycle. The Staatsoper is also sponsoring three new opera compositions over the next five years.

While the joint management between Staatsoper and Volksoper is likely to end, as Mr Holender is apparently not interested in leading both opera houses, Mr Springer says he is aiming for a closer co-operation of the Staatsoper with the city-owned Theater an der Wien, one of its oldest theatres and today its main stage for musicals.

When Mr Peter Weck, director of that theatre, staged one of the world's best productions of Andrew Lloyd Webber's Cats in 1983 and managed to fill the auditorium for seven seasons, Vienna's city officials thought they had found the key to commercial success.

> "The repertory was rotten. It was high time to improve it"

Mr Weck was made director of all three theatres owned by the city, where he continued to stage international blockbuster musicals. But even he failed to turn in a profit, and as his contract expires at the end of this year, a new manager is sought who could broaden the theatres' repertory beyond the standard London and New York musicals.

The city is also looking for a private operator at the Ronacher, a 120-year-old variety theatre now under Mr Weck's directorship. This run-down hall needs renovation. Blueprints for construction of a Sch900m multi-stage centre by the avant-garde architecture firm Coop Himmelblau were recently abandoned in favour of a less expensive, less interesting design.

Eric Frey

Ian Hamilton [illegible]zey offers a visitor's guide

The last tramfrom Stammersdorf

IF THE British have to hear the first cuckoo to know spring has arrived, the Viennese need no such natural signal. Spring comes with the opening of the city's famous *Eissalon* at Schwedenplatz, Vienna's equivalent of Piccadilly Circus.

The Wienerwald – the Vienna Woods – may be hardly in bud, but when the tables are set out on the pavement outside the ice cream parlour, that is the sign that winter has officially ended.

Summer ends with similar ceremony on October 1: the *Eissalon* retreats indoors, while the hot chestnut and roasted sliced-potato sellers set up their cupboards and braziers by Schwedenplatz's tram and U-bahn interchange.

Trams and tube trains pull away with happy travellers sustaining themselves on whichever is the appropriate seasonal fare: something to cool you down in the heat or warm you up in the cold. A time-and-temperature sign on a facing office block across the adjacent Donaukanal confirms whether you should feel comforted or guilty at indulging in yet another Viennese temptation.

Vienna may be the archetypal cafe society, but the cafes are only a part of the temptation. The *Heuriger* is an equally dangerous place. While the cafe exposes the waistline to the perils of *Torte* and *Küchen* – tarts and cakes – the *Heuriger* seduces the unwary with *Gruner Veltliner*.

Heurigen are wine bars, sometimes found in cellars, and *Veltliner* is the grape that does best locally. The white, dry wine travels especially well between cup and lip, and comes by the *viertel*, or quarter-litre. *It goes down like water.*

Most *Heurigen* are in the countryside around Vienna, near the vineyards, and are the closest thing Vienna has to the English country pub; but there are also others in the city centre, known as *Stadt Heurigen*.

The Gigerl, 10 minutes' walk from the Opera and near the Stephansdom – St Stephen's Cathedral – is in a small cobbled street facing the back door to the British Bookshop and is always full of Viennese. It is a favourite for pre- or after-opera suppers. Bookings are usually necessary.

They all serve modestly-priced hot food, sold and served over a counter, with

> **Autumn evenings are filled with the sound of oom-pah bands and accordions**

dishes including schnitzel, roast pork, roast half-chickens, home-made meat, *torte* or mushroom, spinach or onion pie.

In the autumn, the *Heurigen* hang wreathes of vine leaves over their front doors to announce the harvest is in and that the first pressings of new wine are available for tasting. The concoction comes in *viertel* mugs and is so cloudy it is hardly translucent, let alone transparent.

In the Vienna suburb of Grinzing or nearby villages like Stammersdorf, Strebersdorf or Gumpoldskirchen, *Heurigen* come by the kilometre, packed side-by-side along high streets. Autumn evenings are *filled with the sound of oom-pah* bands and accordions as thousands of people give in to temptation – if indeed they ever tried to resist it in the first place.

If the prospect does not at first appeal to the visitor, a *viertel* or two soon produces remarkable conversions.

A quieter time may be had in the cafes, possibly with a little Gershwin tinkling out from a baby grand in the corner. There is plenty of *Veltliner* on tap here, but you will pay more. You can also have a *properly served meal, and most* cafes usually have their own specialities on offer.

The most famous cafes include the Central, in Herrengasse, Landtmann, near the Rathaus and Burgtheater, Demel in the Kohlmarkt – possibly the most mouth-watering cream cake emporium in the world – an[illegible] Griensteidl in Michaeler[illegible], by the imposing portal [illegible] Alte Hofburg palace.

All are well-appointe[illegible] tourist prices, but are [illegible] it for the atmosphere. Ca[illegible]elka, off the Graben [illegible] the Stephansdom, is [illegible] but still chic. However, if [illegible]want a comfortable hour a[illegible]from city centre bustle, Ca[illegible]chottenring, opposite the [illegible], or stock exchange, is a [illegible] winner.

Coffee is an art [illegible] in the cafes, where [illegible] never referred to as [illegible]. An espresso is a *kleine Mocha* and a large one with milk, a *grosse Brauner*. A *Melange* has the cream whipped in, while an *Einspänner* comes with a huge dollop of whipped cream floating on top and should only be combined with a helping of *Torte* and cream if you really want to be sick.

One overriding factor makes this recreational eating and drinking market possible – Vienna's size. The Habsburg empire may have ultimately got too big for its boots but the importance of Budapest and Prague to that empire helped ensure that Vienna as a city never did.

Today, it is growing slowly but there are still only 1.5m people there – small for a capital city of such historical, if not modern-day political significance. The city centre remains entirely "walkable", thanks to the walls which once hemmed medieval Vienna against the original course of the Danube at its confluence with the Wien. Across the river Wien, incidentally, is the Landstrasse, *where, according to* Napoleon, the Balkans begin.

When the city walls were demolished in the 19th century to allow Vienna's expansion, the military advisers of the Emperor Franz-Josef insisted they be turned into a wide, circular boulevard with plenty of clear, open spaces.

This was to give imperial troops clear lines of fire against the proletariat, should revolution ever threaten the Hofburg. The benefit today is that this policy created the Ringstrasse, Europe's first inner ring road. Combined *with a middle ring road called* the Gürtel, it helps keep the danger of gridlock to a minimum, even in the worst of weather and rush hours.

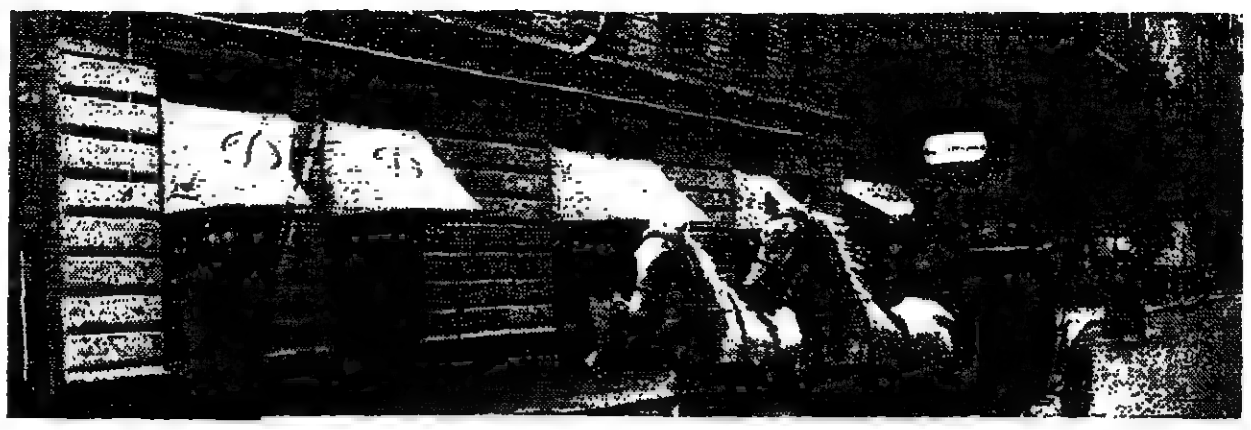
It is, however, the combination of a small city with a superb, integrated, public transport that makes uninhibited enjoyment of Vienna possible in the age of the breathalyser. A combination of bus, train, tram and underground provide a possibly peerless network for getting about.

Since 1967, the Austrian and Vienna authorities have spent nearly Sch42bn (£2bn) on a 41km, five-lines, underground network. Another Sch15.5bn *(£740m) has been committed* for extensions before the end of the century.

This combines with nearly 250km of tramway, carrying 35 lines, and with a total of 991 stops dotted throughout the city and its environs. If evidence were needed that infrastructure begets markets, Vienna's *figures provide it.*

In the decade to 1990, the number of passengers using Vienna's public transport system rose by 36 per cent from 450.7m to 611.8m. This was in spite of an increase in the *number of cars in the city from 476,553 to 546,945* – up 15 per cent.

A weekly season ticket – good for train, U-bahn or bus – costs Sch125 (a little over £6). Small wonder the last No.31 tram on Saturday night, from the *Heurigen* of Stammersdorf to the Schottenring *connection for* Schwedenplatz, should always be full of mellow, happy people.



Demel in the Kohlmarkt –[illegible]ssibly the most mouth-watering cream cake emporium in the world

THE PORT

Hopes pinned on new canal

THE COLLAPSE of the iron curtain has already brought about a huge increase in the traffic in people and services between eastern and western Europe through Vienna.

It is widely expected that the volume of goods moving through *the city will also* rise rapidly. According to some estimates, the volume of cargo moving in central Europe could triple by the end of the century.

So far, however, the break-up of eastern Europe has had mainly a negative effect on the port of Vienna. For example, much of the drilling pipe for the Russian oil industry used to pass through Vienna, but *this trade has collapsed* because Russia does not have currency with which to buy oil pipe.

Also, the war in Yugoslavia last year dampened trade through the lower Danube.

But over the longer term, there is considerable optimism. Mr Ronald *Schrems, marketing director of the port of Vienna* corporation (Wiener Hafen), predicted that transhipment tonnage – that is, freight moving from road to water or water to rail – handled in the port would double from a depressed 2m tonnes in 1990 over the next five years.

Perhaps a more important factor in the anticipated rise in business will be the long-awaited opening in September of the Rhine-Main-Danube canal. *This canal*, which rises over high ground between Regensburg and Bamberg in *Germany, was first conceived* by Charlemagne. When it opens in September, it will make possible uninterrupted transport of goods by water between Rotterdam and the Black Sea.

Wiener Hafen estimates that between 4m and 7m tonnes per year of goods will be carried on *the waterway, although much* depends on the freight rates established.

Much uncertainty surrounds this issue. For one thing, there is, at the moment, much more traffic moving from west to east than from east to west. This tends to push rates up. However, the Danube shipping fleet is dominated by eastern European companies, which do not yet run on normal economic criteria.

Freight volumes are unlikely to be large enough to permit specialised container ships, and the Main-Danube canal has height limits that prevent stacking containers high enough to be profitable.

"The main traffic will be bulk commodities and cars," Mr Schrems says.

Vienna already plays a significant role as a transhipment port, shifting all manner of goods, including 20,000 cars per year, between the water and land transport modes.

The port, which is owned by the city of Vienna, handled a total 10m tonnes of goods last year, of which 8m were solely handled by [illegible]ck an[illegible] rail. With its sever[illegible]ssociate companies, it has turn[illegible]er of Sch320m and cash [illegible]low of Sch50m.

The port h[illegible] a customs-free area of abou[illegible]150,00 square metres and 50,00[illegible] square metres of r[illegible]ed s[illegible]ce. The container [illegible]ina[illegible] handled more 100,000 [illegible]nits [illegible]ast year. There is als[illegible] a [illegible]000-tonne grain termin[illegible], wh[illegible] has handled large sh[illegible]er bound for the former [illegible]ovi[illegible] Union. A crude oil termin[illegible] connects to a pipeline to [illegible]rie[illegible].

More than 1m tonnes of crude oil and oil products were transshipped on the Danube from Vienna last year. The port also is a large stocking point for cars, especially those imported from Japan.

In anticipation of sharply increased demand and the new dynamics on the Danube, the port has set up new subsidiary container terminals at Bratislava and Krems in the past two years, is opening one at Budapest this year and *intends to build one soon at* Belgrade.

It is also in negotiation to purchase in partnership with German interests the cargo division of the venerable but *failing Donaudampfschiffahrts* (DDSG) shipping group. It hopes that returns on shipping, especially between Vienna and the Rhine ports, will be more satisfactory than those on the Danube alone.

Mr Schrems says the Austrian part of this project alone would cost Sch7bn, even though no locks would need to be built. In Moravia, the waterway was prepared in the 1930s, so the politically difficult part of land acquisition is complete. But locks have still to be built.

As part of a four-year, Sch250m capital spending programme, the port is seeking to buy more land and to enlarge roofed storage space to about 75,000 square metres.

Even though the Rhine-Main-Danube *canal has not opened* yet, Vienna port officials are already thinking about another canal. It would link Vienna to Moravia to join up with an existing – but undeveloped – *waterway to the Oder and the* Elbe.

He admits that the project could not be justified by traffic forecasts alone. However, both the Austrian and Czech authorities are pointing out that it offers an opportunity to bring black coal from Rotterdam for Moravian power stations. This would reduce substantially the carbon dioxide emissions from the stations.

They are trying to convince the European Commission and the European Bank for Reconstruction and Development that this is a good project for their environmental protection funds. "We hope for a decision within the next two years," Mr Schrems says.

Ian Rodger

The Danube: n[illegible] dynamics are being anticipated

UK giant profits from its cautious ways

By Vanessa Houlder

Mr Peter Hunt, chairman of Land Securities, the UK's largest property company, sat in his splendid new offices overlooking Trafalgar Square in central London and gently scoffed at the critics who believe the company is too cautious. "If we had geared up two years ago as the brokers said we should, we [he motioned to his fellow directors] would not be here."

The claim was something of an exaggeration at a time when his rivals have kept their jobs in spite of some hair-raising mistakes. But Mr Hunt can be forgiven for pressing the point. Land Securities has been a model of prudence – at a time when extravagant gestures were two-a-penny in the sector.

The company's caution has been rewarded by the stock market, where its share price has significantly out-performed the rest of the sector. And the trend could well continue; a poll of investors by Gallup for Chartered Surveyor Weekly, a trade magazine, this week suggested that Land Securities would be the best performing property share of the year.

Investors appreciate the liquidity of Land Securities' shares in addition to the company's stability and broad exposure to property. "It's almost like an institution," says Mr Marc Gilbard of County NatWest, the brokers.

Few of Land Securities' stock market rivals offer such security of income. Three quarters of the company's rental income is underpinned by leases expiring beyond 2000, without break clauses and with upward only rent reviews.

The company has not put a foot wrong in recent years and its stalwart, defensive qualities are exactly attuned to investors' needs at present.

But for how much longer? Will its supporters abandon it in better times, as they have done in the rising markets of the past? Moreover, might the very qualities that have stood it in such good stead as an investment make it a target of criticism in the broader context of the economy as whole?

The criticism of Land Securities is largely directed at its conservatism and bulk. Its tenants, struggling in the teeth of recession, could be forgiven for viewing the company as a rent-collecting machine, which reaps its profits from the structure of a UK property market which heavily favours landlords.

Land Securities' rents – among the highest in the world – are protected by lengthy leases, upward only reviews and the right to claim rent from an original tenant if it assigned a lease to a company that subsequently defaulted. At a time when these contracts are driving businesses into receivership, large landlords such as Land Securities are sometimes seen as burdens on business rather than providers of an essential service.

The company's apparently effortless ability to generate higher profits has long provoked envy as well as admiration. "Landsits: How to stay in bed and make £10m" thundered a newspaper headline in 1980.

The same reaction has often been provoked by Land Securities' ability to increase the value of its portfolio (with two notable exceptions: in the property crash of the early 1970s, the value of its portfolio crashed by 38 per cent; and the 32 per cent decline over the past two years). In the 1980s, a newspaper complained: "There is something almost indecent about a company which sees its value increase by more than £1bn in a single year with barely a sign of sweat on its management's brow."

A common charge against Land

Land Securities' effortless ability to generate higher profits has long provoked envy as well as admiration

Securities is that after it had built itself up through an audacious programme of borrowing and takeovers, it then simply sat on the best sites in London. This emphasis on acquiring the best positions in London was reflected in the enduring motto of the company's founder, Lord Samuel: "Location, location, location."

The company's natural caution was reflected in its reluctance to pioneer new markets in the Docklands. This bewildered more adventurous developers, including Olympia & York, which thought that London's established landlords were responsible for the capital's outdated and expensive stock.

Land Securities' policy of shunning new locations such as the Docklands could have been risky. During the heady days of the late 1980s, it seemed as though the primacy of location (ie, the city) would be replaced by the need for the most up-to-date product (as provided by the Docklands) as the most important priority for tenants. In the event, following the difficulties of Olympia & York, Land Securities' reserve in venturing into the Docklands seems vindicated.

Criticism of the company's conservatism does not rankle with Land Securities. The company remains unabashed about its lack of enthusiasm for pioneering offices in east London. Mr Hunt believes that London will go on developing in a westerly direction. He describes the government's promotion of the Docklands and its lackadaisical attitude to transport planning as "extraordinary".

The government's decision, late in the day, to give priority to east London's infrastructure over central London is "monstrous", says Mr Hunt. "The taxpayers living in the centre deserve to have central London tubes and railways built with their money before anything in east London," he says.

Land Securities can also shrug off the idea that it has an outdated portfolio. During the 1980s, it spent hundreds of millions on revitalising its portfolio. The task of updating its £4.3bn of property is an endless one and the process will continue, although the slump in the market has forced Land Securities to mothball its planned redevelopment of buildings such as Stag Place in Victoria.

Even its concentration on central London offices – which are still set to under-perform – is less overwhelming than previously. Retail and industrial property now account for more than half the portfolio's value, the result of a conscious shift in strategy as well as the slump in office values. Land Securities now likes to describe itself as the biggest retail investor on the market.

Yet some property experts think it is just too large to be nimble. "It is like a crude oil tanker," says one. "If it wants to change direction by five degrees, it takes 20 miles to do it."

This is a long-standing criticism. Back in 1979, Mr Joseph Sebag, then one of the UK's top property brokers, issued a call for the company to be broken up. "We believe that the group is now just too large to manage dynamically and consider the management's philosophy is to put safety before entrepreneurial gain," he said.

The young Turks of the 1980s property expansion agreed and repeatedly ran their slide rules over Land Securities. They reckoned they could secure greater returns by borrowing and working the companies' assets harder, although in the end, the company was always too big to be threatened.

The charge that Land Securities is an under-geared monolith that is insufficiently exploiting depressed market conditions may gather force when the market recovers. Rivals which are more highly geared will see the steepest increases in their assets, a key measure of a property company's success.

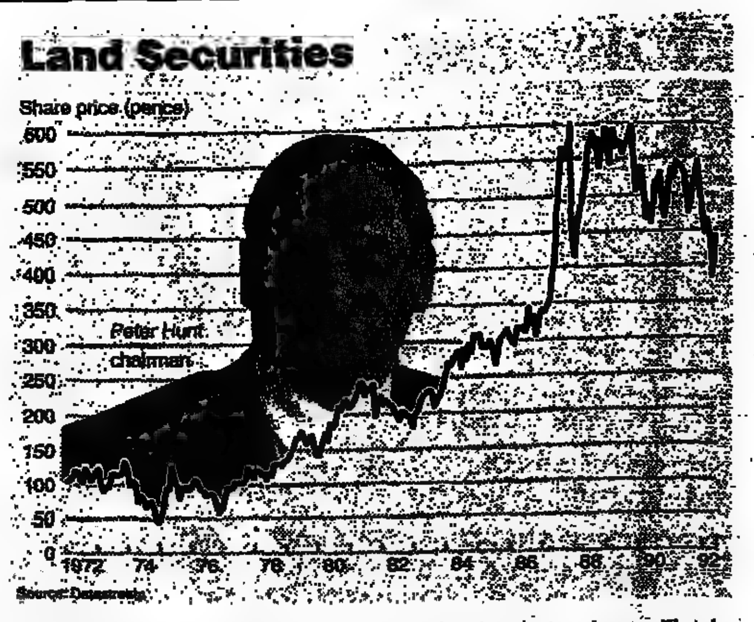
But Land Securities remains unmoved. Although it has looked at the possibility of corporate acquisitions it considers that none have sufficient quality. It would prefer to cherry pick individual properties, while keeping a stern eye on its own gearing, now at 43 per cent.

"We are not going to buy because brokers say we should," says Mr Hunt. "In a valuation based business you have to be very careful with gearing." The more the company borrows, the greater impact falling property prices will have on its net asset value.

Not all analysts think that Land Securities's asset values will take another battering this year. Mr David Tunstall, a property analyst with Smith New Court, a securities company, says an improvement in retail values could push the company's net asset value up from 555p to 570p this year.

Most analysts have pencilled in another fall, some to as little as 500p over the next two years. There is also reason to be cautious about future profits. The large rent increases which were in the pipeline two years ago have virtually disappeared in the worst-hit parts of the market.

But Land Securities has no reason to be on the defensive. It has made none of the mistakes of its smaller rivals. And if inflation and the rewards of heavy borrowing are things of the past, its cautious style may stay in fashion.



هكذا صدر الأصل

RECRUITMENT

JOBS: Public clocks, pillars of the establishment,.nd the known facts about the executive-pay question

Ex-cathedra injustie to the vast majority

WHY are most of Britain's famous public clocks, such as Big Ben, marked with Roman numerals rather than Arabic figures?

While the question may seem abstruse, there is more than one way in which it is timely. My reason for posing it is that it's the best answer I can give to another question lately thrown at me by several callers in reference to my comments on executive pay a fortnight ago.

What they demand to know, usually with a cackle, is why the Archbishop of Canterbury doesn't read the Jobs column. But, just in case the connections between the two questions aren't instantly apparent, I had better offer a bit of explanation.

The drift of the comments a fortnight back was that most public debate in Britain about executive pay is pointless. Whenever the topic is raised, the discussion typically degrades into sweeping exchanges between folk professing themselves opposed to greed on one side, and self-declared proponents of enterprise on the other. Being not only a member of both camps myself, but failing to see any necessary conflict between them, I dubbed their bickering the "dialogue of the deluded". Whereupon the very next Sunday the Archbishop of Canterbury ascended to the pulpit of Derby Cathedral, and threw in his lot with the anti-greed party. Hence the cackling callers' question about why he doesn't read the Jobs column.

The straight answer is that, not having managed to contact him, I don't know. Most probably, he just feels no need to. But some *additional light may be thrown* on the matter by the question about the famous timepieces.

For one suggested solution to it is that such clocks were erected to the wishes, and so designed to the tastes of pillars of the country's establishment, who had traditionally received a Classical education. While that versed them in Roman numerals, the argument goes, it left them unfamiliar with Arabic figures and loth to heed the more complex data that can be couched therein. They prefer to think on the broader, braver scale associated with the ancients.

How far that theory applies personally to the archbishop is another thing I am unsure of. Nor, it must be admitted, was I present at his sermon. Moreover, from the numerous press reports and commentaries I have pored over, it is clear that he expressed admiration for industrialists and "affirmed wealth creation".

Even so, that did not deter him from also tainting them with avarice, and using an unjustly broad brush to do it. For most *reports are agreed* that a key passage of his homily ran:

"Within our own society, our collective commitment to industrial enterprise will remain under-powered if the fruits of success appear to be concentrated too heavily in the pockets of shareholders and senior executives. For example, massive individual pay rises during a recession do not encourage public support for wealth-creation."

Although he did not say how many shareholders and senior executives he was impugning, the implication is surely that they were appreciably large in number and to be found throughout the wealth-generating sector.

That plication is at odds with sucts as are known, the latest onich emerged well in time foe archbishop to scan ahead preaching. They come from British Institute of Managnt's yearly pay survey, and I d them two weeks ago to sh that, *excepting the* fat-cat of City banking, the numbof Britain's managers enjoy high pay and "massive" *rises* mall and confined to the top rs of the biggest outfits. Evenough the attempt proved vain n having another go in the se of the underlying table.

The latest survey covered managerial staff (20,609 all told) in 340 companies. But my figures refer only to the 289 of them that also took part in the previous year's study, so as to give a fairer idea of recent rises in pay as well as present levels. The managers *are divided* into chief executives, other board-members, five lower ranks of management, and senior staff. Besides giving the findings across all the 289 companies, I have broken them down into four categories by sales turnover.

As may be seen, the only group who received increases appreciably above the 8 per cent average for Britain's whole workforce are the chief executives of outfits with sales of over £600m. And while the eminences in that group did egregiously well – on average, they are now paid £3.74 for every £1 going to the chiefs of companies with less than £25m turnover – there were fewer than 20 of them.

In pointing that out, however, I do not expect it to count for much with establishment pillars who, in line with the clock hypothesis, do not deign to consider such pettifogging details. Indeed, to judge by the FT's letters column, they've already risen above the pay issue.

With the aid of an article by Professor Charles Handy which we published the day after the archbishop had spoken, they have seized on another of his remarks – to the effect that one of *the things which ought not to be* the prime purpose of business is serving the interests of shareholders. Whether that in fact should or should not be the case seems now to be the hot as well as the broader, braver topic.

All I can say on it is, whatever the ethical rights or wrongs of putting shareholders first, British companies don't seem to do it. The evidence lies in a study of 31 of the biggest of them by Stefan *Szymanski of London Business* School, in which he examined the links between directors' pay, sales turnover, and value to stockholders in terms of earnings per share over the decade from 1981 to last year.

The pay had gone up – in the aggregate, nearly five-fold – and in particular companies had some link with sales turnover. But the relationship with earnings per share was virtually zero.

Michael Dixon

Tt·ver —	All companies		Under £25m		£25m – £125m		£125m – £600m		£600m-plus	
R	Average gross 1992 (£)	*Rise on 91* %	Average gross 92 (£)	*Rise on 91* %	Average gross 92 (£)	*Rise on 91* %	Average gross 92 (£)	*Rise on 91* %	Average gross 92 (£)	*Rise on 91* %
el execs	92,392	4.7	57,114	6.8	83,145	3.6	107,672	1.8	213,737	18.6
er board	60,103	3.2	41,233	3.6	49,571	4.0	64,273	3.2	106,804	6.4
rager 1	47,427	6.2	32,825	3.6	36,600	8.9	48,978	3.7	73,225	4.1
2	37,141	5.8	29,493	5.9	33,224	6.7	37,512	4.9	50,076	8.5
3	30,414	5.0	24,155	1.1	27,116	2.5	31,609	7.3	34,599	4.4
4	26,904	7.0	24,724	6.9	23,292	5.9	26,079	7.1	34,213	6.6
5	24,026	6.4	20,656	6.7	20,335	5.6	22,890	6.7	26,476	6.2
enior staff	19,697	6.7	16,006	6.5	16,665	6.8	18,964	8.9	23,256	4.6

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As A Professional Involved with Loan Syndication You'll Know The Power Of Diversification

Senior Manager

As businesses grow, they change. Ours is no exception.
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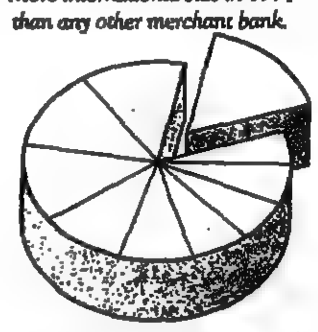
More international bids in 1991 than any other merchant bank.



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VWD is the leading German financial wire organization, producing newsletters, newswire services and a daily paper. The English services are used by financial institutions around the world.

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APPOINTMENTS WANTED

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ACCOUNTANCY APPOINTMENTS

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For an informal discussion telephone Roger Rymer, Chief Assistant on (0772) 264757 or for an application form telephone the Personnel Section on (0772) 264716.

Lancashire County Council

Closing Date: MONDAY, 8 JUNE 1992

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Package: c.30k plus company car, health insurance, LVs etc.

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You will become involved in European acquisition reviews, brand and competitor performance analysis and strategic planning. Aged 25-30, in addition to top academic results and first time passes, you will have gained in-depth commercial exposure within a value adding capacity either through a "Big 6" practice or a *Blue Chip company.*

European languages and exposure are preferable but not prohibitive.

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ACCOUNTANCY COLUMN

Explaining the mixed record of global penetration

By Andrew Jack

SOMETIMES the simplest calculations can provide the most revealing results. Among 300 dense pages of statistics and graphics in a new compendium of accountancy data*, one table sticks out from the rest, showing the relative grip of accountants on national economies.

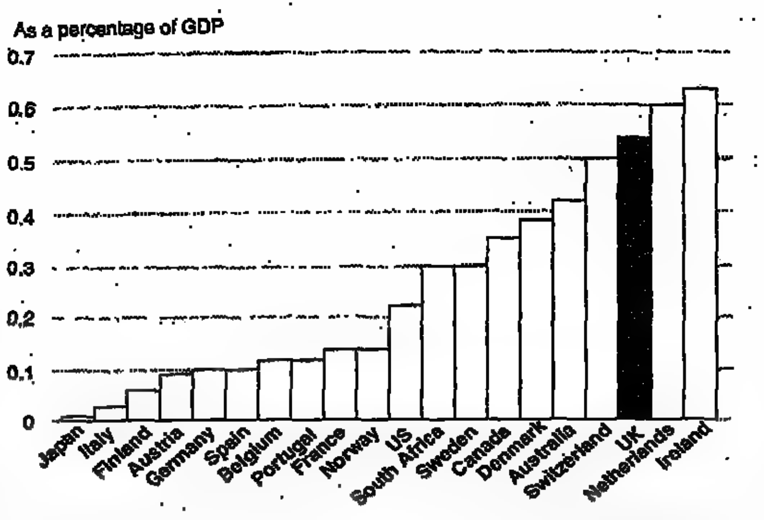
As the table shows, dividing accountancy fee income by gross domestic product (1990 figures) throws up tremendous variations. If the US economy is – as sometimes claimed – being drained by lawyers, then accountants cannot be far behind. Elsewhere, the patterns are equally revealing, ranging from a low of 0.01 per cent of GDP in Japan to a peak of 0.63 per cent in Ireland.

Lafferty's "International Accounting Databook" puts a brave face on the proportions at the lower end of the spectrum. "On the assumption that the accounting firms in other countries will be able to develop in the same way as British, Irish, Dutch and Swiss firms, it would appear that the potential world market for accountants' services is enormous," it says. "For example, the Italian market could increase 20-fold."

The Sony chairman, Mr Akio Morito, who has recently been outspoken in his criticism of the role of accountants in senior positions in business, might put a rather different perspective on the figures, and be gratified at his country's lowly position.

At the other extreme, explanations for the position of Ireland and the Netherlands are hard to come by. Switzerland is also very high, at 0.5 per cent of GDP. This, the report suggests, may reflect the wide range of services offered by Swiss firms, as well as relatively easy access to outside capital.

Fee income of each country's top ten firms



On home ground, theories are rather easier to develop. The UK comes in third highest, at 0.54 per cent. The survey suggests that the power of the profession reflects the UK's history as the birthplace of accountancy. It argues that the large number of companies subject to statutory audits and their control of the "insolvency franchise" leads to the substantial fees generated.

The firms have also been free to develop roles as tax advisers and general business consultants. "Accountants are moving away from being a profession," says Michael Lafferty, editor in chief of Lafferty Publications, "they are becoming a business."

It no doubt also reflects the important role in the UK played by capital markets and the industries they sustain – corporate finance, financial reporting, due dilligence work and so on – which are in their infancy across continental Europe.

By comparison, tax and insolvency work in other countries including the US and Scandinavia is controlled by the legal profession and produces far less income for accountants.

In some countries there are restrictions on accountants' business which may restrict the volume and value of work they conduct, such as compulsory rotation of auditors, or bars to prevent auditors conducting non-audit work.

Overall, there is obviously a clear relationship between fee income generated and the number of qualified accountants. This raises the question of which came first: the accountants or the work to satisfy them?

The Institute of Chartered Accountants in England and Wales has about 97,720 members and this is rising by 2.9 per cent per year – considerably faster than GDP. In addition, the four other professional accountancy bodies have more than 70,000 members.

Only Ireland can compete with that figure in Europe. There, 0.597 per cent of the population were certified or chartered accountants in 1990, against 0.572 per cent in the UK. (Third, at just 0.275 per cent, was Gibraltar.)

Mr Andrew Colquhoun, chief executive of the English Institute, says: "I see accountants as part of the invisible infrastructure essential to making a market economy work. They have a real economic role for invisible earnings – although it is difficult to quantify."

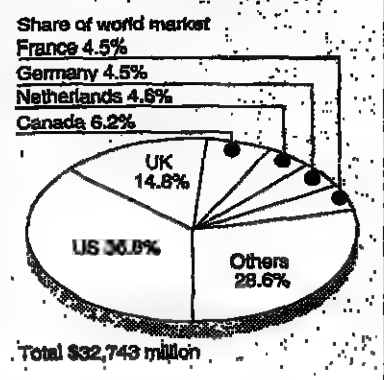
Analysts could nevertheless have a field day scrutinising the over-staffing of accountancy firms across borders, by examining countries in which professional fees as a proportion of GDP exceeded the number of practising accountants per capita.

They might also do more to assess the contribution the firms truly make to national product – since there seems to be little clear correlation between the proportion of GDP consumed, and economic growth rates in the countries shown.

Other figures in the Lafferty compendium bear witness to the remarkable growth and change taking place in accountancy firms around the world. Fee income from the main accounting networks in 1991 grew by 13.4 per cent worldwide. Fee income shot up by more than 17 per cent in Europe, compared with just 2.6 per cent growth in the US, making the markets now almost identical in size: the US and Canada together contributed $14,096m last year, against $13,833m in Europe.

Gross fees per partner from the firms in the top networks averaged just over $1m, and ranged from $1.45m in Germany to a low of $750,000 in Japan.

Where the top ten firms earn their income



There are plenty of other statistical manipulations that could be done on the figures – enough, in fact, to keep an army of unemployed accountants busy for months. No doubt Mr Morito would be among those recommending that they might more usefully spend their time retraining in different, more useful, skills.

International Accounting Databook. £545. Lafferty Publications, The Tower, IDA Centre, Pearse Street, Dublin 2, Ireland.

ACCOUNTANCY APPOINTMENTS

APPOINTMENTS WANTED

National Bank of Bahrain

بنك البحرين الوطني

National Bank of Bahrain is a leading commercial bank based in Bahrain in the Arabian Gulf with assets of US$1.8 billion. The bank's results over the last five years have shown a consistent improvement. In 1991, NBB recorded a Return on Assets of 1.6% and Return on Equity of 14%.

The bank's current plans call for a further improvement in its operating performance through better utilisation of its existing assets and selective expansion. In order to achieve these objectives, NBB is seeking to fill **senior positions** for the following functional areas at its Head Office in Bahrain:

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The successful candidate will manage and direct the Financial Institutions and Trade Finance Units and will be responsible for further developing all aspects of the bank's relationships with financial institutions. The role also involves primary responsibility for building a profitable trade finance desk by consolidating and expanding the bank's existing business in this area.

Private Banking

The successful candidate will manage and direct the private banking unit with the objective of attaining the bank's business goals through marketing to institutions and individuals in the Gulf. In addition the position calls for major inputs into product and service strategies and liaison with the investment department.

Investments

The successful candidate will manage the bank's and clients' investment and trading portfolios made up primarily of fixed income securities. Besides evaluating, controlling and liaising with outside portfolio managers, the candidate will assist in marketing fixed income and equity products to customers, coordinate with the treasury on funding issues and develop objectives and action plans to achieve the bank's budgeted earnings in this area.

Foreign Exchange

The successful candidate will manage and execute both spot and forward foreign exchange transactions for the bank and its clients and interact with the money market desk. This position calls for an individual who is highly numerate, decisive and keenly sensitive to market trends.

Applicants for the first three positions should be graduates with a minimum of 10 years relevant experience. For the Foreign Exchange position at least 5 years relevant experience is required. In addition, all applicants should have a track record of having successfully managed a profit centre in an international financial institution.

An excellent remuneration package for each of the above positions includes a competitive tax free salary and other normal expatriate benefits.

Please write enclosing a full curriculum vitae to:

The Assistant General Manager – International
National Bank of Bahrain
P.O. Box 106
Manama
Bahrain

ACCOUNTANTS

CONSULTING TO THE FINANCIAL INDUSTRY

London **to £50,000**

Touche Ross Management Consultants has a growing and successful practice in the financial industry. Our work encompasses the full range of services, from strategy to systems for banks, insurance companies, fund managers, building societies and stockbrokers.

Our requirement now is for qualified accountants with a first class examination record and a minimum of four years' relevant experience in at least one of the above industry sectors. Consulting experience would be an asset. The preferred age is 28-32.

Future prospects, including partnership, are dependent solely on ability.

Please send a comprehensive CV, including salary history and a daytime telephone number, quoting reference 3246 to Stuart Rosen at the address below.

Touche Ross

MANAGEMENT CONSULTANTS

Floor, Hill House, 1 Little New Street, London EC4A 3TR.

Policy Management Systems Europe Ltd

SURREY

PMSE Ltd., the UK based subsidiary of Policy Management Systems Corporation, is a successful, dynamic provider of software, services and business solutions to the Insurance industry with a worldwide reputation for innovation and quality.

Due to the repatriation of the current post holder we are now looking for a highly motivated, experienced

FINANCE AND ADMINISTRATION MANAGER

for our European operation with primary responsibility for the UK, reporting to PMSC headquarters in the USA. The position is based at our head office in Thames Ditton, Surrey. This is very much a hands-on role and we are looking for a well qualified person with solid experience in all aspects of accounting and administration.

Essential areas of experience include:

– External reporting
– Management reporting
– Internal accounting control
– Intercompany accounts
– General office administration
– VAT returns
– International transactions
– Computerised accounting systems
– Novell network administration (desirable)

Salary c. £25k + car + benefits.

Please reply in writing enclosing full CV to: Mrs Reidun Brown, Personnel Officer, PMSE Ltd., Enterprise House, Isambard Brunel Road, Portsmouth, Hants, PO1 2AW.

Closing date for applications Friday, 29th May 1992

Chief Financial Officer

HUB POWER

Pakistan **Attractive Package**

The $1.5bn power station complex to be built at the mouth of the Hub River in Pakistan is one of the world's largest construction projects. It will be financed by private sector interests, with substantial support from the World Bank and other international institutions. The 1292MW, oil-fired steam power station will be built by a consortium led by Mitsui & Co and it is intended that operation and maintenance will be carried out by BEI, a subsidiary of National Power.

Reporting to the Chief Executive Officer, the Chief Financial Officer will have full responsibility for all financial aspects of the project. Key tasks will include:-

- structure and negotiation of the project finance documentation;
- communication with multilateral agencies, financial institutions and advisers;
- treasury management in a multi-currency environment;
- establishment of all financial reporting systems.

Having managed the financial aspects of the project successfully through to commissioning scheduled for 1995, the appointee will be Finance Director of what will become Pakistan's largest publicly-quoted company.

Ideally aged 35-45, candidates will be qualified accountants with significant experience of managing the financial aspects of large-scale, international capital projects. A sound understanding of foreign currency and interest rate risk management is essential. Outstanding communication skills, composure and the ability to work well under considerable pressure will all be key attributes for this highly demanding role.

Interested applicants should write, enclosing a detailed CV, to Roger Howell at the address below, quoting reference 114J.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION

32 Old Burlington Street, London W1X 1LB Fax: 071-287 2821. Telephone: 071-287 2820.

A GKR Group Company

Accountant to manage compliance audit

c.£40,000 + car

LIFFE is Europe's leading market for the trading of financial futures and options, and offers a more comprehensive product range than any other exchange in the world.

The new trading floor at Cannon Bridge is currently achieving record levels of business, while the recent merger with LTOM has resulted in a significant increase to the Exchange's membership. As a consequence, LIFFE wishes to appoint an experienced qualified accountant to set up and lead a new team within the existing Market Supervision Department, to audit member firms' systems and controls.

Your prime objective will be to develop and implement an effective programme of visits to member firms, to ensure their compliance with the Exchange's rules and trading procedures. As well as preparing audit reports and investigating any alleged irregularities, you will contribute to the development and operation of appropriate monitoring and surveillance techniques, and advise members on all aspects of compliance and related issues. You will also be responsible for liaising with regulatory bodies and other exchanges.

Your professional experience will preferably be City-oriented, and will ideally include specific knowledge of futures and options. You must also be able to demonstrate proven team-building and management skills.

Salary will be backed by generous benefits including fully-expensed car, non-contributory pension scheme, life assurance and BUPA.

To apply, please write enclosing your detailed cv to Helen Jenkins, Personnel Manager, LIFFE, The Royal Exchange, London EC3V 3PJ.

LIFFE

The London International Financial Futures and Options Exchange

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DIRECTOR – EUROPEAN AUDIT

CITY
To £60,000
+ Car
+ Bonus

A highly experienced, qualified accountant is sought by a premier financial institution of impeccable repute.

You will direct a small team in the conduct of financial and computer audits across a diverse range of European businesses. Specifically, you will develop and execute audit plans, allocate resources, appraise staff performances and enhance technical skills. At the same time, you will maintain effective liaison with business unit managers, external auditors and the Head Office in order to ensure the highest standards of accountability and control.

My client is a Triple A rated global financial services company whose prime interests span private banking, securities dealing, life assurance, re-insurance, investments, and asset management. Substantial growth during the last decade has seen revenues double and assets under management quadruple. Today, the company possesses the sort of financial strength and outstanding reputation for service which makes it the envy of its competitors.

To qualify for consideration, you should be a gifted professional, able to excel in a challenging and fast moving environment. Wide experience of the financial services sector is essential and this may have been gained within the industry itself or within an international practice serving the needs of such clients. Additionally, your impressive interpersonal and management skills should be complemented by your innovative flair in devising creative solutions to complex problems. Finally, a European language would be desirable.

If you are interested in this outstanding opportunity, please write briefly enclosing a CV or telephone for a personal history form to Paul Glatzel, in either case quoting ref. 8080.

personally recommended

EXECUTIVE CONNECTIONS

BANKING & FINANCE DIVISION
12-14 MASONS AVENUE, LONDON EC2V 5BT. TEL. 071-600 1122. FAX. 071-600 1685.

Appointments Advertising

Appears every Friday (in the International Edition)

Wednesday and Thursday (in the UK Edition)

For further information in North America please call JoAnne Gredell on 212 752 4500 or write to her at 14 East 60th Street New York NY 10022

FINANCIAL TIMES

Group Treasurer - Designate

c£45,000 + Benefits **Central London**

Our client is a major UK industrial group with world-wide turnover in excess of £750 million. Its activities are grouped in four major divisions and UK and European operations account for almost 70% of its business. The group is managed by a small head office team based in Central London.

Since the present Group Treasurer will be retiring in 1993 it has been decided to recruit an experienced treasury professional who will be expected to succeed him. Treasury responsibilities cover the full range of requirements in a business of this size and character, and particular emphasis is placed on sound technical knowledge of acquisition financing and structuring, and on the tax aspects of financial management.

The person sought is probably mid-30s in age, with a strong educational record, and a professional qualification in accounting and/or treasury management. Considerable experience in corporate treasury management in a comparable business is required. An ability to adapt quickly and effectively to the company's tightly-controlled 'no-frills' management style is essential.

If you wish to be considered for this appointment, please write - in confidence - to Douglas Austin, Ref 22003, MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

MSL International

CONSULTANTS IN SEARCH AND SELECTION

FINANCIAL CONTROLLER

East Midlands — **to £35-40,000 + Benefits**

Our client, a technology based manufacturing company, is a successful subsidiary of an American multinational. Emerging from the recession, it is now poised to enter a period of growth.

A need has arisen to recruit a Financial Controller who will report to, and deputise for, the Managing Director. The role combines involvement in the commercial decision-making process with day-to-day financial management. Key challenges will include *undertaking a fundamental IT* review and implementing a state-of-the-art manufacturing accounting system. Additionally, the job holder will be responsible for reviewing and upgrading the management information system and for developing effective strategic and tactical financial *planning procedures.*

Suitable applicants will be qualified accountants with experience gained in the manufacturing sector and with an excellent understanding of IT and cost accounting. Aged mid-30's plus, he/she must be a good communicator with a proactive approach, high levels of drive and a commercial outlook. *The remuneration package includes the full* range of benefits normally associated with a position at this level. Long term prospects are excellent and will be in line with company growth.

Interested applicants should send, in complete confidence, a detailed curriculum vitae including current salary and daytine telephone number to Phillip Price ACA, Touche Ross Executive Selection, quoting reference LM862 at the address below.

Touche Ross

MANAGEMENT CONSULTANTS

Leda House, Station Road, Cambridge CB1 2RN.
Telephone: 0223 460222.

DEFENCE RESEARCH AGENCY

Chief Accountant — *£50,000 Package*

Farnborough, Hants

The Defence Research Agency provides scientific and technical advice primarily to the Ministry of Defence. With 11,000 employees and a turnover of £900m, the Agency is moving, under the Government's next steps initiative, towards a more commercial footing, with an emerging degree of independence, and a focused concept of improving value for money and customer service.

These changes have generated the need to recruit a commercially orientated Chief Accountant. Reporting directly to the Finance Director, the appointee will form part of the core team of senior financial managers who set and implement financial policies and procedures for the organisation. Additional key responsibilities will include managing all aspects of the ongoing implementation and development of a major commercial accounting system, and control of the critical costing systems which drive the MIS. This is a classic Chief Accountant's role with responsibility for a large finance department.

The ideal candidate will be a qualified accountant (aged 33-45) with substantial experience in a demanding multi-site commercial environment, including managing a complex computerised accounts department. The ability to manage and communicate with people at all levels is essential.

Benefits include an excellent remuneration package and the opportunity to both gain senior management exposure and to develop a stimulating career based entirely on merit. Relocation costs will be paid where appropriate.

For further information in strict confidence contact Robert Walker or Ban Hamill on 071-287 6285 (evenings and weekends 081-977 2603). Alternatively, forward a brief resumé to our London Office quoting Ref: RW 1261.

WALKER HAMILL
Financial Recruitment Consultants

29-30 Kingly Street
London W1R 5LB

Tel: 071-287 6285
Fax: 071-287 6270

LLOYD MANAGEMENT

Global Leader Service Sector

GROUP FINANCIAL ACCOUNTING

£30-35,000 + car

Strong organic growth and a successful programme of acquisitions have established our British plc client as a world leader in its service sector. It is highly profitable and continues to grow.

As a member of a small high profile team based in Central London, the **Deputy Group Financial Accountant** will assist with group and subsidiary company statutory accounting; initial review of subsidiaries' tax computations and a variety of special projects. Specific responsibilities will *include compliance with US reporting requirements* for its New York stock exchange listing.

This is an outstanding opportunity – either as a first move from the profession or for those in commerce seeking further experience and prospects. Applicants should be high calibre qualified accountants aged mid/late 20s, computer literate with initiative and good interpersonal and technical skills.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/35/F.

FINANCE DIRECTOR

INTERNATIONAL OPERATIONS

Central Scotland

Innovative marketing, attention to quality, state-of-the-art production and brands which are clearly recognised throughout the world as market leaders, all contribute to the success and profitability of our long established client. Turnover is approaching £200 million and the company is continuing its multi-million pound investment programme in several of its locations.

We now seek to replace the current Finance Director who is *moving to another position in the company. Your role* will be to manage the finance team of about 30 and to advise on the financial, treasury and tax implications of the investment programme, international acquisition and joint venture opportunities. You will also ensure that the highly computerised management information system is continually upgraded and developed to help managers achieve their current and future business objectives.

This is an exciting opportunity to be involved in an innovative, international company. The challenge of the role and the opportunity to enjoy the quality of life (and schooling) in Central Scotland will attract the highest calibre of applicant and the remuneration package will reflect this with salary pitched at the upper levels for Scotland.

To apply in confidence, please send a detailed CV including base salary requirements to Douglas Kinnaird, Ref: 5907/DK/FT, PA Consulting Group, Number Two Blythswood Square, Glasgow G2 4AD.

PA Consulting Group
Creating Business Advantage
Executive Recruitment • Human Resources Consultancy • Advertising and Communications

Group Accountant

S Bucks — **to £35,000 + Benefits**

Our client is a c £85 million turnover PLC operating in the High Technology Sector and is listed on the London Stock Exchange. The group is made up of operations covering a number of countries and has grown rapidly both organically and through acquisition. In 1991 turnover increased by 15% and pre-tax profit by 21% despite some of the worst economic conditions seen in many years.

They now wish to recruit a high calibre ACA, ideally Big 6 trained, capable of developing the group accounting function. Reporting directly to the Group Finance Director and working alongside the executive team this individual will need to demonstrate credibility, maturity, commercial acumen and sound technical skills. Key responsibilities will include:

* Production of Consolidated Results - Monthly and Published.
* Treasury and FOREX Management.
* Tax Compliance and Planning.
* Consolidated Budgets and Forecasts.
* Company Secretarial Duties.
* Stock Exchange Compliance Work.
* Pension Fund and Insurance Management.
* Developing PC based Reporting Systems.

The ideal individual will be either a Manager in the profession with experience of PLC Head Office Operations (secondments will also be viewed favourably), or alternatively an ACA with one to two years experience in industry who is seeking a more challenging role. Good PC skills are a pre-requisite as is a strong academic *background, professional manner and the ability to* communicate effectively at all levels. Career prospects for the right individual, are excellent.

Interested applicants should write, enclosing a curriculum vitae to **John Zafar ACMA at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Director

S Bucks — **to £45,000 Package + Car**

Our client is a c £20 million turnover subsidiary of a growing PLC operating in the Information Technology sector. The company has a portfolio of specialist products addressing a world market with an active development programme. Following the successful launch of new products in 1991, the expectations for its continued success are very high. This new appointment is therefore regarded as key to taking the business through its next phase of growth.

Reporting to the Managing Director the successful individual will be completely involved in the achievement of the company's business and profit objectives and is therefore expected to play a proactive role in all areas of management.

The key areas of challenge will include:

* Improving profitability by active involvement in the decision making process.
* Developing new information systems throughout the company.
* Ensuring accurate and timely financial reports are provided.

It is essential that they have a sense of strong financial discipline, excellent IT and systems skills, experience of operating at Finance Director level or equivalent in a production based environment and one *from a profit* orientated business culture.

The ideal candidate will be a qualified accountant and possibly an MBA, aged between 35-45, capable of operating effectively as part of the management team, be questioning by nature, can operate on their own initiative, delegate effectively, as well as create and manage change. They must also be able to demonstrate successful track record in their career to date.

Interested applicants should write enclosing their curriculum vitae to **John Zafar ACMA, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
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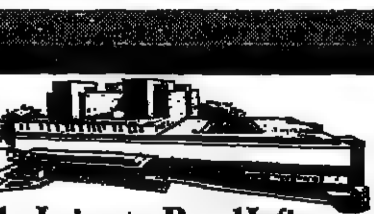

The Leicester Royal Infirmary.
Britain's newest teaching hospital.

Director of Finance

c £50,000 + Lease Car + Relocation

The Leicester Royal Infirmary is a large, prestigious teaching hospital with 4,000 employees and a contracted income of £90m. The hospital has applied to become an NHS Trust from April 1993 and will continue to actively invest in new facilities and technology to develop its patient services.

A new role for the Director of Finance has been created to prepare for NHS Trust status. The Director will:

- Have personal responsibility for all aspects of the hospital's financial management
- Be an Executive Director of the NHS Trust Board
- Make a major contribution to the strategic planning and control of the hospital's activities
- Ensure and develop accurate and timely financial control systems

Applicants will be professionally qualified and proudly able to demonstrate an extensive record of achievement and a capacity for professional leadership. Although a health service background is not essential, significant experience in a progressive operational environment is required. First class communication skills will be taken as read. You will be joining a team where the competitive edge for achievement is matched only by pride in corporate excellence and you will require strong interpersonal skills and drive to succeed.

Interested candidates should write for further details to **Oliver Howl BSc ACA,** enclosing a full curriculum vitae and salary information, at **Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST, quoting reference OH132.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Group Accountant

Central London — **to £30,000 + Car + Benefits**

Our client has achieved an enviable track record of substantial growth and profitability in a competitive services industry. This has been achieved by a successful strategy of acquisition and organic expansion. The company's shares are listed, with a market capitalisation of £140 million.

Internal promotion has created an exciting opportunity for a young qualified accountant to contribute to a professional and dynamic Head Office team. Your brief will encompass responsibility for the preparation of the group's legal accounts, including the consolidation, its monthly management accounts, budgets and forecasts. You will also assume control for the group's corporate tax, VAT negotiations and will be a member of the treasury team.

As a qualified accountant with one to four years post qualification experience, you will be results driven having gained group exposure in a demanding commercial environment. Strong knowledge of consolidations and PC spreadsheets combined with effective communication skills are essential. Familiarity with corporate tax and VAT would be an advantage. Responsibility and initiative shown in your career will be well rewarded.

Please forward your curriculum vitae to Scott **Mewing, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Tel: 071 831 2000.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
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هكذا صنع الأهل

هكذا من الأصل

CORPORATE FINANCE EXECUTIVE

AMONGST PRIME MOVERS, MAKE YOUR PRESENCE FELT.

Substantial Package

At Dixons Group plc, commercial decisions are invariably based on the most detailed research, the soundest advice. To this may be attributed much of our strength - a strength epitomised by the dramatically increased profits of our UK operation - a rare enough phenomenon these days. To win the respect of our senior decision-makers, whose demands upon you will be considerable, you too must be something of a rarity.

In short, a young, astute finance specialist whose intellectual integrity, impressive degree and professional accountancy training are merely the raw materials out of which a high profile career in commercial strategy is being carved - preferably within a fast-moving, consumer related context.

Based at Group HQ in Mayfair, project work of an investigative, strategic nature will occupy most of your time whilst you keep routine activity under tight control. With a creative yet detail-conscious approach and a real flair for communication at all levels, you will respond positively to the pressures of this highly visible role.

Make a tangible impact on Group performance. Forward CV and current salary details to Terry Quoroll, Personnel Manager, Dixons Group plc, 46-50 Uxbridge Road, Ealing, London W5 2SU.

Dixons Group plc

Financial Controller

Computer Services

c.£36,000 + Bonus & Car — M3 Corridor

Substantial and successful IT service business seeks an ambitious commercial Accountant for a high profile senior management role. Significant prospects throughout the company.

THE COMPANY

- Subsidiary of one of the largest specialist computer vendors in the world. Market leader in Europe.
- Provides customer services and support in proprietary and open systems arena. Turnover c£50m and profitable.
- Strong management team with clear and aggressive growth plans, including product development.

THE POSITION

- Responsible for all financial management through small accounts team. Report jointly to FD and Service Director.
- Key member of the senior business management team. Liaise extensively with CFOs of other subsidiary businesses.
- Develop management information systems and implement tight financial control discipline.

QUALIFICATIONS

- Accountant (CIMA or ACA), aged 30-40, with sound management accounting and systems experience from the IT, retail, distribution or service sectors.
- Committed manager with clear business acumen and high intellect. Significant exposure to sales and marketing.
- Strong team player with excellent interpersonal skills. Sound yet flexible negotiator with the stature to be credible at the highest level.

Please write, enclosing full cv, Ref 110528
54 Jermyn Street, London, SW1Y 6LX

NB SELECTION LTD

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Group Financial Accountant

Setting Higher Standards in Higher Education

Essex — £35-40,000 Package

This ambitious educational establishment is implementing innovative, yet carefully focused plans to capitalise *on its deserved reputation for providing an imaginative range of courses which encourage wider participation* and high achievement. Recognising that strong management skills and financial expertise are central to its future success, our client wishes to recruit a commercially-orientated accountant to assist in constructing a financial framework compatible with long-term objectives.

Reporting to the Director of Finance, you will manage and motivate a large financial accounting team and spearhead the development of controls and procedures which ensure the integrity of the organisation's accounting systems. Liaising with a variety of staff within and outside the finance function, you will be responsible for raising the department's profile, producing a range of financial and management information aimed at facilitating decision-making throughout the college.

A qualified accountant, probably chartered, with at least three years' commercial line management experience, you will have a proven track record in managing change and a detailed knowledge of systems and spreadsheet applications. Your personal attributes should include enthusiasm, persuasiveness and commercial vision combined with diplomacy, adaptability and the presence to establish immediate credibility *at all levels.*

Please write, in confidence, enclosing full career and salary details, to Tim Knight, quoting reference P2298.

KPMG Selection & Search
2-3 Dorset Rise, Blackfriars, London EC4Y 8AE

Director of Finance

UNIVERSITY OF LEEDS

This senior appointment offers a challenging opportunity. The Director of Finance is accountable to the Registrar for the financial operations of the University (annual turnover in excess of £130m) and the duties include the development of financial strategy, participation in the planning process, the provision of financial advice and the management of the Finance Section.

Candidates should be qualified accountants with previous experience at senior level in either the public or private sector. Capacity to innovate and to manage change is essential.

Salary and relocation package will be commensurate with the seniority of the post.

Further particulars of this post may be obtained from the **Academic Staff Office, the University of Leeds, Leeds LS2 9JT, tel: 0532 335771 (direct line), fax: *0532 335779, quoting reference number* 119/75.** Closing date: 24th June 1992.

The University of Leeds promotes an equal opportunities policy.

Appointments Advertising

appears every

Wednesday & Thursday

Friday (in the international edition only)

FINANCIAL CONTROLLER

Who can demonstrate success in the management of financial control and systems implementation in a manufacturing environment

c. £45,000 + car — ***South Coast***

In this successful and fast-growing subsidiary of a major aerospace group, recent restructuring has created the need for a particularly high calibre finance manager to control the newly combined finance and IT functions. We want to hear from qualified accountants who have proved their ability to run such an operation within a profit centre. Our major requirements are the professional strength to ensure the accuracy of all accounts and forecasts plus a record of success in detailed systems implementation, closely followed by a particular ability in complex financial analysis and ideally some experience of FX and/or long-term contract accountancy. However, we're certainly not looking for a superior number cruncher: you will be a crucial member of the MD's top team, and he will expect a pro-active input to the general management of the operation. That team is young, able and perhaps a little intolerant of anything but the best: you should be bright enough and tough enough to flourish in such an environment. There are two sizeable teams of professional and support staff to motivate, so man-management skills are essential. Ideal candidates will probably be in their late thirties, but we have no real prejudice on that score; however, we are totally prejudiced about the need for real intellectual ability, both for this particular position and to ensure that the appointee can take advantage of the very real opportunities for future development within the Group.

Please send full career details, quoting reference WE 2057, to Terry Ward, Ward Executive Limited, 4-6 George Street, Richmond-upon-Thames, Surrey TW9 1JY. Tel: 081-332 0555.

WARD EXECUTIVE LIMITED
Executive Search & Selection

FINANCE DIRECTOR

CITY (initially) : c £40K + BONUS + CAR

This profitable, multi-disciplinary practice has been achieving significant growth in recent years, from a single location to three substantial offices, with plans for further expansion in the immediate future and beyond.

An experienced, qualified accountant is required to join the tight-knit senior management team in order to manage the finance and MIS functions.

Applicants should be aged 30-45, with strong communication skills, the experience of operating within a tight-knit team, and good commercial awareness.

Please write enclosing CV to Michael Leaney, Human Resources Director: Morison Stoneham, 805 Salisbury House, 31 Finsbury Circus, London EC2M 5SQ

Morison Stoneham
Chartered Accountants

FINANCIAL CONTROLLER
c £37,000
Full Benefits Package

Our client is a substantial and expanding Service Industry Company with their headquarters in the Watford area. Due to their current expansion they need to restructure their Financial Department and to recruit an experienced and ambitious Financial Controller.

Their ideal candidate must be qualified ACA or ACCA and have work experience within a demanding commercial environment. He or she will report directly to the Financial Director and have the Chief Accountant and 20 staff controlling nominal purchase and sales ledgers, reporting to them.

Innovation, creativity, confidence, ambition, energy and a sense of humour are all essential in addition to both first class technical and people management skills.

Please write to Andrew Renton with a full C.V. quoting Ref: AA718.

ALASTAIR AMES & associates
The Manor House 128 Kingston Road Wimbledon London SW19 1LX
Telephone: 081 542 8101 Facsimile: 081 542 7883

FINANCE MANAGER - OPERATIONS

West of London — **c. £35,000 + FX car**

A top player in the worldwide FMCG arena, our client is an autonomous subsidiary of this leading US multi-national group. Clearly demonstrable is the substantial and vigorous Corporate commitment to organic growth and development of both manufacturing and marketing operations across Europe.

Resulting from promotion to a European role, a new post has been created in the UK for a numerate, young (probably aged 26-32), graduate MBA or Qualified Accountant.

This is a high profile appointment which interacts with all levels of management, from the top down. It therefore demands an accomplished commercial or industrial financial manager with the technical and interpersonal skills developed from at least 2 years in a manufacturing environment.

Leading a team through an important period of change, it will involve the provision, analysis, interpretation and implementation of management information. Included will be studies of profitability, budgets, costing and forecasting across the manufacturing, marketing and R&D areas of a broad and diversified product range.

Reporting to the Financial Controller the role offers an entrée into a forward-looking, highly successful and international organisation, providing career opportunities to an ambitious achiever.

Salary is as indicated and the car will be fully expensed. Relocation costs will be met where applicable and other benefits include pension and BUPA.

Please write enclosing CV, telephone or fax as appropriate quoting ref: RN/1043.

The Career Partnership Ltd
Lincoln House, Aviary Road, Woking, Surrey, GU22 8TH
Tel: 0932 352558 — Fax: 0932 336330

Accountants Zurich based

Our client, a premier US Investment Banking House, seeks to appoint two qualified accountants to support its business in this challenging and demanding market place.

These financial accounting roles will involve preparation of periodical financial statements, monitoring of compliance in accordance with local *regulations* and tax administration.

It is envisaged that candidates will be of Swiss origin, familiar with local accounting standards and fluent in German as well as English.

Suitably qualified candidates seeking a challenging career with excellent remuneration prospects, should write in strict confidence to: Corinne Simmons (Ref. GR/97), Vine Potterton Limited, 152/3 Fleet Street, London EC4A 2DH. Please enclose a full CV and list separately any companies to which your application should not be sent.

VINE POTTERTON
RECRUITMENT ADVERTISING

UNIVERSITY OF YORK
MANAGEMENT ACCOUNTANT

The University of York has a turnover in excess of £50m, controls assets well in excess of £100m and has a range of activities which include commercial, financial and property interests. *To help meet the demands of continuing successful growth the University* is seeking to recruit a high calibre, suitably qualified individual to assume responsibility for the management information and accounting functions. Reporting to the Head of Finance, the post will be central to the support of the University's decision-making processes and the successful candidate will also play a pivotal role in developing management information systems. This is a challenging opportunity requiring energy as well as good interpersonal and technical skills and the successful individual is unlikely to have had less than three years' combined experience in both central and profit centre environments.

Salary within the range £19,000 - £26,000 per annum.

Four copies of application, with full curriculum vitae and the names of three referees, should be sent by 21 June 1992 to the Personnel Office, University of York, Heslington, York YO1 5DD, from whom further particulars are available.
Please quote reference number 2/5095.

COMMODITIES AND AGRICULTURE

Signs of progress towards compromise at Opec talks

By Mark Nicholson in Vienna

MINISTERS of the Organisation of Petroleum Exporting Countries yesterday reported some early progress in talks to bridge the gap between members favouring higher prices and those preferring raised production for the third quarter.

Ministers from the 13-member cartel were holding further closed talks last night after an early session of which Mr Ginanjar Kartasasmita, Indonesia's oil minister, said: "We are progressing quite well."

The central differences in the talks lie between Saudi Arabia, which entered the meeting arguing that Opec should boost output by 1m barrels a day to 24m b/d for the quarter, and Iran, which insisted there should be no rise in the second quarter ceiling, agreed in February. Algeria has also signalled its opposition to a rise in production.

Mr Gholamreza Aghazadeh, Iran's oil minister, said he did not see third-quarter oil demand justifying any rise in output, adding: "We will not accept any increase."

However, he also said that projections for fourth quarter demand on Opec crude, which some analysts put at around 25m b/d, could warrant a rise in ceilings – a matter likely to be determined at a further Opec meeting in September.

Whatever ministers decide on ceilings, Kuwait is believed to have insisted that it will continue accelerating output from its present claimed 930,000 b/d to an average of 1.2m b/d over the third quarter.

Some rise in total Opec output for the third quarter therefore looks almost certain, and analysts said yesterday that the market had already largely discounted a 1m b/d rise for the third quarter. Production for the second quarter also exceeded the nominal February limit of 23.98m b/d by somewhat more than 500,000 b/d.

Nevertheless, there were tentative signs yesterday that Saudi Arabia, which projects a call on Opec crude of 24.2m b/d for the third quarter, may be content with a rise of less than 1m b/d in the overall ceiling.

Mr Fayez Badr, the Saudi minister of state deputising at the meeting for Mr Hisham Nazer, the oil minister who was said to be too "exhausted" to attend, gave little away to reporters, but some delegates intimated that a Saudi compromise was possible.

Analysts said any figure lower than 24m b/d would give good support to prices throughout the quarter. "We have the feeling the market would quite appreciate anything around 23.7m b/d," said one.

Climate changes may cut cereal production

By Bethan Hutton

Climate change could cut world cereal production by between 1 and 7 and per cent and put up to 360m extra people at risk of hunger in the next century, a scientific study has found.

The largest reductions in staple crop yields, of 9 to 11 per cent, would occur in developing countries, while developed countries at higher latitudes might increase yields. Reduced supply could lead to price rises of 25-150 per cent.

Slower population growth and a number of other measures, such as full trade liberalisation, adaptation of agricultural practices and faster economic growth, could mitigate but not neutralise the effects, and the impact on developing countries could still be severe.

The three-year project by 50 scientists around the world investigated the effect of three global warming scenarios of varying severity on yields of wheat, rice, maize and soya, and on world food prices, using computer models to make projections up to the year 2060.

The study was commissioned by the US Environmental Protection Agency and jointly managed by the Oxford University Environmental Change Unit and Goddard Institute for Space Studies.

Copies of the report will be circulated to delegates attending the Earth Summit in Rio next month.

Current environmental policies were taken into account, but proposed restrictions on the emission of greenhouse gases were not.

The study also assumed benefits from the direct effects of increased levels of carbon dioxide, which in experiments have been found to increase plant growth. But it is not known whether these benefits would be fully realised outside experimental conditions.

Rubber price poised for an upturn

RUBBER prices are poised for upturn on the back of increased demand, even though turmoil in the world's top grower Thailand has failed to spark a rally, an International Natural Rubber Organisation (INRO) official said, Reuter reports from Kuala Lumpur.

"I expect a gradual improvement in prices in the second half of this year," said buffer stock manager Mr Aldo Hofmeister. "Prices could rise by 10 per cent by the end of the year from current levels due to increase in offtake."

"But there is very little [market] reaction to developments in Thailand and that is surprising," he said. The INRO uses a buffer stock mechanism to stabilise prices.

Prices in Singapore and other major markets inched up marginally on Monday and Tuesday on fears of reduced Thai supplies. But prices eased in Singapore yesterday.

Recovery in coarse grain production forecast

By David Blackwell

WORLD coarse grain production, which is expected to fall to less than 800m tonnes this year from 829.9m tonnes in 1990, is expected to recover in the 1992-93 season, according to the International Wheat Council.

The IWC's latest report gives a first estimate for the 1992-93 coarse grain harvest of 825m tonnes, an increase over this season of 27m tonnes. This season's low harvest is attributed to dry weather conditions in many growing areas.

The largest increases are expected in the US, up 30m to 249m tonnes, and the former Soviet Union, up just over 10m to 92.8m tonnes. However, The IWC warns that the former Soviet Union's harvest could end up being affected by shortages of fuel, quality seeds, fertilisers, pesticides and spare parts for agricultural machinery.

Consumption is estimated at 820m tonnes, little changed from the previous two years. Consumption in developing countries is expected to increase slightly.

Australian sugar may lose its sweetener

Kevin Brown on the bitter debate over plans to abolish tariff protection for the industry

WHY DOES a highly efficient industry which exports nearly 80 per cent of production need tariff protection against import competition? And why does the industry resist the reduction of strict government control when the evidence shows it would benefit from deregulation?

These questions are at the heart of a bitter debate raging in Australia over the future of the Queensland-based sugar industry, the country's fourth largest agricultural producer after wool, wheat and beef.

The tariff debate dates back to the federation of Australia's six British colonies in 1901. Queensland won protection for its sugar producers in return for accepting a whites-only immigration policy which required the repatriation of low-wage Melanesian cane cutters.

The initial limited protection eventually grew into an embargo on sugar imports which lasted until 1989, when the federal Labor government finally included the industry in its general tariff reduction programme.

Against strong opposition from growers, the government replaced the embargo with an A$115 per tonne levy on imports, which fell to A$76 last year, and will fall to A$55 in July.

However, the government did nothing to reduce the tight control exercised by the Queensland government, which restricts the supply of land, sets production and milling quotas, and is the monopoly purchaser of raw bulk sugar.

Against that background, there was outrage among growers earlier this month when the Industry Commission, a government advisory body, recommended the immediate abolition of both tariff protection and regulation.

The commission said there was no justification for the tariff, which increases the profitability of sugar producers at the expense of downstream users and consumers. It also claimed the Queensland regulations were responsible for lost production worth hundreds of millions of dollars.

The report was sympathetically received by Mr John Dawkins, the federal Treasurer (finance minister), a supporter of the general tariff reform programme implemented in the mid-1980s by Mr Paul Keating, now Prime Minister.

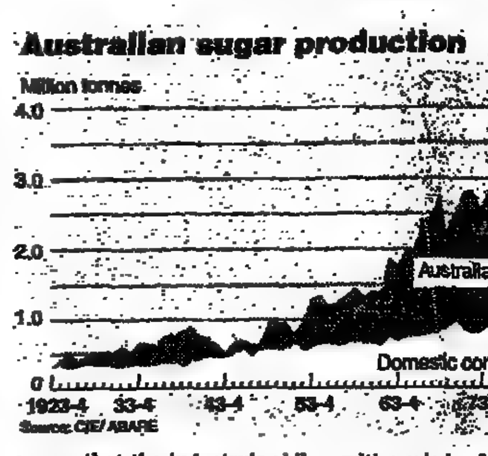
However, it was angrily rejected by Queensland's Labor government, indicating that the issue had the potential to provoke a damaging split in the run up to the next federal election, due by mid-1993.

The federal government headed off the political danger last week by appointing Mr Brian Courtice, a Queensland sugar grower, to chair an inquiry into the Industry Commission's recommendations. The effect will be to delay a decision until after the election. However, the establishment of a second inquiry merely underlines the difficulty of dealing with the Industry Commission's argument that the structure of sugar growing damages both the industry and the wider Australian economy.

No one disputes that the sugar growers are highly efficient, partly because Australia's tropical regions have a natural comparative advantage, and partly because high wage costs have encouraged technological innovation.

As a result, the industry has increased exports from 153,000 tonnes in 1946 to 2.8m tonnes in 1990, worth nearly A$1bn. Total production has risen over the same period from 677,000 tonnes to 3.7m tonnes.

However, the commission argues that the industry's ability to compete profitably in the world market shows it does not need protection in its home market. Removing the tariff would cut the cost of sugar to user industries, and increase the potential for the development of export refining and other downstream industries.



The commission also concludes that Queensland's regulatory system prevents Australia from reaping the full benefits of the farmers' efficiency by artificially restricting production. All but 400 of Australia's 5,000 cane farmers are in Queensland.

This view is supported by Mr Brent Borrell, chief market economist at the Centre for International Economics (CIE) in Canberra, who says the regulations reduce gross domestic product by about A$200m a year. A CIE report on the industry* suggests that the chief constraint is the Queensland land assignment system, under which the state government specifies the amount and location of land to be used for sugar production.

The system is intended to match production to forecast supply. Historically, however, increases in available land have usually followed periods of high prices and coincided with periods of falling demand.

Queensland recently responded to criticism of the system by guaranteeing an increase of 2.5 per cent per year in assigned land. But the CIE report says land use would expand by 7.9 per cent a year if controls were lifted – providing additional net income of A$1.1bn over 5 years.

The report also forecasts that land prices would increase as farmers switched from beef production to more profitable sugar cropping, that incomes in sugar growing areas would rise, and that up to 140,000 jobs could be created in the long term, many in the sugar industry.

None of this impresses the Queensland Sugar Corporation, which claims that both the costs of tariffs and regulation and the benefits of abolition have been overstated.

Mr Ian Ballantyne, general manager of the Australian Cane Growers Association, says growers need tariff protection because the high cost of transport in Australia puts them at a disadvantage in large parts of the home market.

He also argues that the regulatory system acts as a buffer between the growers and the market, and helps to keep production and milling capacity in balance. The Industry Commission, he says, is advised by free market economists (known in Australia as economic rationalists) who have failed to understand the industry.

"The most disturbing thing about the Industry Commission process has been that the [sugar] industry's submissions have gone very largely unheeded, and they have been very selective about the data they have been willing to take on board.

"The commission has in the past had a very economic rationalist view, and I don't think their report represents a very credible attempt to deal with the industry's problems," he says.

However, the commission suggests other reasons for the industry's uncritical support of regulation. It says the rules protect farmers from competition by restricting entry into the industry and discouraging the amalgamation of farms that has taken place in other rural industries.

The regulations also protect producers from the need to respond to changes in market conditions, market their own sugar, and develop expertise in risk management through hedging and other financial instruments.

"The comparison I would draw is with the wool industry, which was also highly regulated and got in an awful mess," says Mr Borrell. "By contrast, the cotton industry, which has never been regulated, attracts some of the smartest farmers around.

"But even in the sugar industry the penny will drop and change will come eventually. This sort of thing just cannot go on for ever."

● *Sugar: winning in a corrupt world market. CIE, GPO. Box 2203, Canberra, ACT 2601, Australia.*

Brazil set to lift orange juice exports by 37.5%

By Bill Hinchberger in Sao Paulo

EXPORTS of Brazilian orange juice and derivatives should reach $1.4bn for the 1991-92 harvest season, based on preliminary figures for the first 10 months of the July-June cycle, according to the Association of Brazilian Citrus Exporters (Abicitrus).

That figure would represent a 37.5 per cent increase over the previous season's receipts.

Through the end of April, Brazilian exports of 798,000 tonnes had generated sales of $1.2bn. Overall export receipts for 1990-91 were $1.0bn.

Better prices and sales of stocks are responsible for the improvement, said Mr Ademerval Garcia, Abicitrus president. Production, he said, is about the same as last season.

The average price in 1991 was $900 per tonne/fob. This year, the average is $1,186 per tonne/fob. Carry over last season was 336,000 tonnes, compared to 157,000 this season.

Brazilian exporters are eyeing Japan with more interest, since it eliminated its import quotas for orange juice. Currently, 4 per cent of Brazilian exports are shipped to Japan, compared to 48.5 per cent to the European Community.

India to harvest smaller jute crop

By Kunal Bose in Calcutta

BESET BY unfavourable weather in all jute growing areas, India will be harvesting a lower jute crop of around 6.5m bales of 180kg each in the season beginning July, against 9.2m bales in 1991-92 and 9m bales in 1990-91.

However, the Indian Jute Mills Association (IJMA) is more concerned that the high quality jute needed for producing fine yarn, hessian and carpet backing cloth will be in acute short supply. Jute mills producing these high value items will be required to import superior grades of fibre which are expected to command a handsome premium in the world market, according to trade sources.

The Jute Balers Association (JBA) says that farmers in the traditionally early sown areas of Assam and north Bengal had to postpone the sowing of jute seeds by more than a month because of hot dry weather and no rainfall. It is estimated that there is a shortfall of more than 30 per cent in the area under jute in Assam and north Bengal.

The situation in Bihar, another area which comes under the early sown zone, is even grimmer. The JBA survey finds that the progress in sowing is "highly disappointing" in all jute growing areas of Bihar which have hardly received any rains.

The fate of the crop in terms of quantity as well as quality is decided at south Bengal, which accounts for nearly 50 per cent of the country's raw jute production. Here also hot dry weather has hindered the progress of sowing.

Since the sowing has been delayed, the new crop will start arriving in the market two months behind schedule. Yet as industry and trade sources point out, the late crop arrival will not have much of an impact on raw jute prices. This is because the 1992-93 jute season will be opening in July with fibre stocks of around 3m bales, against the earlier projected 1.7m bales.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices tumbled in both London and New York. London's July contract set a fresh 16-year low of £552 a tonne before closing at £554. London traders were unable to define a specific reason for the fall. "There wasn't even any clear sign of Ivorian selling today. Perhaps it's just boredom or perhaps people are selling in anticipation of Ivory Coast coming back into the market again in the middle of next week," one London trader said. New York analysts pointed to the upwardly revised forecast for Ivorian production this season from trade house Gill & Duffus, which sent prices lower on Wednesday. London robusta **COFFEE** ended mixed, while New York arabicas saw choppy trade in the morning. The New York market ignored reports that Brazil and Colombia had signed a coffee pact accord. This meant, however, that a Brazilian denial of the report also had little effect. On the LME **TIN** prices ended lower after coming under late kerb pressure from selling and profit taking prompted by an earlier rise to a fresh 19-month high. Trading in the other metals was generally routine. In Chicago fund selling pushed **MAIZE** and **SOYABEAN** prices down in early trading.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.20-7.25	+.300
Brent Blend (dated)	$19.55-9.65	+.350
Brent Blend (Jul)	$19.50-9.60	+.325
W.T.I (1 pm est)	$20.75-0.80q	+.375

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$228-230	+4.5
Gas Oil	$175-176	+2
Heavy Fuel Oil	$77-79	+1
Naphtha	$166-167	+2

Petroleum Argus Estimates.

Other		+ or -
Gold (per troy oz)♣	$336.90	-0.4
Silver (per troy oz)♣	407c	-1.0
Platinum (per troy oz)	$361.25	+0.25
Palladium (per troy oz)	$83.00	-0.25
Copper (US Producer)	104.88c	-0.03
Lead (US Producer)	37.00c	
Tin (Kuala Lumpur market)	15.49r	+0.09
Tin (New York)	290.0c	-2.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.88p	+2.08*
Sheep (live weight)†♣	79.41p	-6.33*
Pigs (live weight)†	87.17p	-4.53*
London daily sugar (raw)	$239.1t	-0.2
London daily sugar (white)	$283.5t	+1.2
Tate and Lyle export price	£239.5	+0.5
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£147.5	
Wheat (US Dark Northern)	£120w	
Rubber (Jun)♥	53.00p	-0.5
Rubber (Jul)♥	53.00p	-0.5
Rubber (KL RSS No 1 Jun)	219.0r	+0.5
Coconut oil (Philippines)§	$642.5t	+15.0
Palm Oil (Malaysian)§	$387.5y	+2.5
Copra (Philippines)§	$417.5	+5.0
Soyabeans (US)	£146.0q	-0.5
Cotton "A" Index	61.10c	
Wooltops (64s Super)	424p	+2.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. t-Jun/Jul y-July w-Apr z-May q-Jun †Meat Commission average fatstockprices. * change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	207.60	209.40	209.00
Oct	198.40	200.60	200.00 198.00

White	Close	Previous	High/Low
Aug	275.50	276.50	276.50 273.50
Oct	262.50	264.50	262.50 260.50
Dec	262.50	264.00	262.00 261.00
Mar	265.50	266.60	265.00 263.50
May	270.00		267.00 267.00

Turnover: Raw 51 (130) lots of 50 tonnes. White 971 (623)
Paris- White (FFr per tonne): Aug 1514.64 Oct 1498.95

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jul	19.56	19.18	19.62 19.27
Aug	19.50	19.11	19.50 19.24
Sep	19.45	19.10	19.45 19.24
Oct	19.29	19.08	19.29
Nov	19.25	19.05	19.25 19.17
Dec	19.20	19.10	19.20 19.10
Jan	19.12	19.02	19.12
IPE Index	19.21	19.32	19.21

Turnover 22751 (13826)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jun	175.25	172.75	175.75 173.50
Jul	178.00	173.50	176.50 174.25
Aug	178.00	175.50	178.50 175.75
Sep	180.00	177.50	180.25 178.75
Oct	182.00	179.50	182.25 180.50
Nov	183.50	181.25	184.00 182.50
Dec	184.50	182.25	185.00 184.00
Jan	182.50	180.50	182.75 182.50
Feb	178.00		179.75 178.00

Turnover 11263 (6798) lots of 100 tonnes

FRUIT & VEGETABLES

Strawberries from Spain and France are excellent this week at £1.10-1.70 a lb (£1.30-1.80) reports the FFVIB. Other good buys include varieties of apples such as Cape Granny Smith at 55-60p a lb (45-55p) and New Zealand Royal Gala at 60-70p a lb (60-70p) pineapples remain a good buy at £1.00-1.50 each (£1.00-1.50). Jersey Royal potatoes are currently in peak supply and are down in price to 18-25p a lb (45-55p). Flat mushrooms at 60-70p a ½ lb (60-70p) and English spinach at 60-70p a lb (60-75p) round up the best vegetable buys. British, Dutch, Guernsey & Canary Island tomatoes at 80-90p a lb are excellent value this week.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	536	552	547 537
Jul	554	567	565 552
Sep	577	593	588 575
Dec	609	625	620 608
Mar	638	655	650 639
May	660	673	669 659
Jul	680	691	689 679
Sep	701	710	705 700
Dec	730		730
Mar	754		765

Turnover: 4133 (1596) lots of 10 tonnes
ICCO Indicator prices (SDRs per tonne). Daily price for May 20 720.48 (725.18) 10 day average for May 21 721.42 (722.27)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
May	735	733	730 725
Jul	749	747	755 739
Sep	766	767	773 760
Nov	786	789	793 780
Jan	806	805	807 804
Mar	819	824	817

Turnover:2073 (2242) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for May 20: Comp. daily 50.98 (51.23) 15 day average 48.90 (48.88)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	101.0	105.0	104.0 100.0

Turnover 206 (188) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	127.00	126.00	127.00

Turnover 30 (167)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
May	1292	1290	1292 1280
Jun	1224	1224	1240 1224
Jul	1126	1120	1140 1125
Oct	1245		1245
Apr	1270		1280 1270
BFI	1289	1287	1288

Turnover 278 (158)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
May	124.70	126.20	125.20 124.70
Jun	124.80	125.60	125.60 124.80
Sep	111.10	110.90	111.10 110.80
Nov	114.10	114.25	114.20 114.05
Jan	117.85	117.85	117.85
Mar	121.00	121.10	121.00 120.80

Barley	Close	Previous	High/Low
May	117.90	118.75	118.60 117.90

Turnover: Wheat 198 (58) . Barley 5 (8).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	126.5	127.0	128.4 126.3
Jun	115.5	118.0	118.5 115.3
Jul	109.8		110.5 109.4
Aug	103.6	103.5	103.5 102.8
Nov	106.0	106.5	105.3 105.0

Turnover:27 (28) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 26,846 lots	
Cash	1321-2	1331.5-2.5	1333	1322.5-23		
3 months	1346-7	1357-7.5	1352/1343	1347.5-48	1346-47	189,790 lots
Copper, Grade A (£ per tonne)					Total daily turnover 22,843 lots	
Cash	1225-6	1218-9		1225-6.5		
3 months	1245-6	1238.5-9	1247/1244	1244.5-5	1246-6	102,818 lots
Lead (£ per tonne)					Total daily turnover 1,850 lots	
Cash	282.75-3.25	280.5-1.5	281.5/281.25	281.25-1.5		
3 months	295-6	293-3.5	295.5/293.5	293-3.5	295-5.5	15,990 lots
Nickel ($ per tonne)					Total daily turnover 5,701 lots	
Cash	7305-15	7325-35	7310	7305-6		
3 months	7390-5	7405-15	7420/7385	7390-5	7382-5	23,214 lots
Tin ($ per tonne)					Total daily turnover 1,838 lots	
Cash	6230-60	6265-75		6300-5		
3 months	6270-80	6275-80	6320	[illegible]-10	6230-1	7,727 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 14,886 lots	
Cash	1360-5	1375-6	1367/1366	1366-8		
3 months	1280-1	1276-80	1284/1280	1282-3	1282-3	58,294 lots

LME Closing £/$ rate: SPOT: 1.8175 3 months: 1.7916 6 months: 1.7678 9 months: 1.7472

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	336.70-337.10	
Opening	337.40-337.80	
Morning fix	337.45	184.802
Afternoon fix	337.25	[illegible]
Day's high	337.70-338.00	
Day's low	336.60-336.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.01	6 months	3.09
2 months	3.01	12 months	3.30
3 months	3.01		

Silver fix	p/fine oz	US cts equiv
Spot	223.80	407.50
3 months	229.20	411.10
6 months	234.70	415.25
12 months	245.30	424.85

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	337.25-339.25	185.50-186.00
Maple leaf	348.50-349.50	191.75-192.25
New Sovereign	83.00-84.00	45.50-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1300	236	183	3	4
1350	49	83	11	23
1400	7	2	70	75
Copper (Grade A)	Calls		Puts	
2100	132	137	3	6
2200	46	62	13	29
2300	6	19	72	85
Coffee	Jul	Sep	Jan	Sep
700	82	76	3	11
750	17	44	18	29
800	3	24	54	59
Cocoa	Jul	Sep	Jul	Sep
575	7	27	28	28
600	3	17	49	41
625	1	11	72	60
Brent Crude	Jul	Aug	Jul	Aug
1950		48		
2000	14	27		
2050		12		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	337.0	338.0	336.7	336.7
Jun	337.4	338.4	337.8	336.8
Jul	338.2	339.2	0	0
Aug	339.1	340.1	339.7	338.7
Oct	340.9	341.8	341.3	340.9
Dec	342.9	343.7	343.4	342.5
Feb	345.2	345.9	345.6	345.6
Apr	347.4	348.0	347.2	347.1
Jun	349.9	350.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
May	356.6	356.6	0	0
Jul	360.7	362.8	362.8	360.3
Oct	364.4	366.5	367.0	364.0
Jan	364.2	366.3	365.6	365.0
Apr	364.7	366.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	406.3	408.0	407.5	407.0
Jun	406.7	408.2	0	0
Jul	407.7	409.2	409.5	407.5
Sep	410.8	412.1	412.5	410.3
Dec	415.4	416.5	417.5	415.0
Jan	417.0	418.1	0	0
Mar	420.5	421.6	422.0	422.0
May	424.2	425.2	426.0	426.0
Jul	427.9	428.8	0	0
Sep	432.1	433.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	100.90	100.75	100.95	100.65
Jun	100.90	100.75	101.00	100.70
Jul	101.10	100.95	101.25	100.70
Aug	101.10	101.00	101.20	100.75
Sep	101.10	101.05	101.30	100.85
Oct	101.10	101.05	0	0
Nov	101.15	101.10	0	0
Dec	101.20	101.20	101.20	101.05
Jan	101.00	101.10	101.00	101.00
Feb	100.80	101.00	101.10	100.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	57.06	60.06	59.30	57.06
Oct	59.05	62.33	60.70	58.86
Dec	59.15	62.80	60.85	59.10
Mar	60.65	63.18	62.25	60.65
May	61.28	62.00	62.50	61.28

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	20.82	20.40	20.84	20.48
Aug	20.86	20.46	20.86	20.55
Sep	20.90	20.49	20.90	20.55
Oct	20.88	20.47	20.88	20.61
Nov	20.83	20.45	20.83	20.60
Dec	20.77	20.43	20.78	20.49
Jan	20.70	20.39	20.74	20.46
Feb	20.67	20.34	20.67	20.42
Mar	20.50	20.30	0	0
Apr	20.37	20.28	20.37	20.32

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5610	5520	5610	5530
Jul	5630	5540	5630	5545
Aug	5705	5592	5705	5620
Sep	5810	5718	5820	5750
Oct	5917	5813	5917	5850
Nov	6005	5908	6005	5950
Dec	6115	5993	6115	6045
Jan	6150	6018	6150	6075
Feb	5990	5913	5990	5990
Mar	5830	5693	5825	5795

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	881	911	905	879
Sep	925	954	947	923
Dec	976	1005	999	978
Mar	1022	1050	1046	1025
May	1054	1075	1065	1060
Jul	1084	1105	1080	1080
Sep	1112	1133	0	0
Dec	1147	1170	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	64.35	64.30	65.40	63.40
Sep	66.25	66.30	67.45	65.45
Dec	69.10	69.20	70.20	68.40
Mar	71.90	71.90	72.75	71.50
May	75.15	75.15	76.00	75.50
Jul	78.50	78.50	0	0
Sep	80.50	80.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.35	9.42	9.38	9.25
Oct	8.94	8.99	8.98	8.84
Mar	8.87	8.90	8.88	8.79
May	8.84	8.89	0	0
Jul	8.80	8.80	0	0
Oct	8.74	8.82	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	133.30	130.80	133.60	130.40
Sep	124.30	121.75	124.30	121.25
Nov	115.55	113.50	115.55	113.25
Jan	114.75	113.00	114.75	113.60
Mar	114.75	113.05	114.20	114.20
May	114.50	113.05	0	0
Jul	114.50	113.05	0	0
Sep	114.50	114.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 21	May 20	mnth ago	yr ago
1597.0	1598.2	[illegible]	1726.0

DOW JONES (Base: Dec. 31 1974 = 100)

	May 20	May 19	mnth ago	yr ago
Spot	117.81	117.74	116.52	129.17
Futures	116.40	118.24	120.01	136.10

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	598/6	609/0	603/0	590/4
Aug	598/6	611/6	607/4	594/4
Sep	601/6	618/0	611/0	598/4
Nov	607/6	622/6	617/0	605/0
Jan	615/6	630/4	623/4	613/0
Mar	623/0	636/4	627/0	621/0
May	629/0	644/0	632/0	627/0
Jul	631/6	646/2	635/0	630/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.71	20.93	20.75	20.50
Aug	20.87	21.09	20.89	20.66
Sep	20.89	21.29	21.08	20.87
Oct	21.05	21.45	21.20	21.00
Dec	21.28	21.73	21.50	21.31
Jan	21.47	21.85	21.56	21.44
Mar	21.75	22.00	0	0
May	21.98	22.22	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	179.0	184.6	182.8	178.2
Aug	179.8	185.0	183.0	179.0
Sep	180.8	186.0	184.0	179.5
Oct	198.1	204.0	201.5	197.0
Dec	197.8	204.0	201.5	196.8
Jan	198.1	204.0	199.5	197.3
Mar	198.2	204.0	201.0	198.0
May	199.5	204.0	204.0	199.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	252/2	255/0	254/0	251/4
Sep	253/4	256/2	254/4	252/6
Dec	254/2	257/0	255/0	253/2
Mar	262/0	264/2	262/4	260/6
May	266/6	268/4	266/6	265/2
Jul	271/0	273/0	271/0	270/0
Sep	263/0	265/0	0	0
Dec	260/0	260/0	260/0	258/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	340/0	347/4	343/0	338/0
Sep	344/2	348/6	347/2	342/2
Dec	351/4	355/6	355/0	349/6
Mar	350/2	353/4	354/0	340/4
May	340/2	343/0	341/4	340/2
Jul	327/0	330/0	329/4	327/0
Sep	334/0	337/1	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.250	72.275	72.500	72.100
Aug	69.625	69.500	69.800	69.350
Oct	68.925	69.050	69.175	68.850
Dec	68.625	68.625	68.850	68.500
Feb	68.275	68.250	68.500	68.250
Apr	69.500	69.250	69.600	69.400
Jun	66.900	66.800	67.400	66.800

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	46.725	46.750	47.100	46.650
Jul	44.825	44.850	45.200	44.750
Aug	42.800	42.925	43.125	42.750
Oct	39.750	39.800	40.000	39.700
Dec	42.125	42.200	42.250	42.100
Feb	43.725	43.625	43.800	43.575
Apr	42.500	42.450	42.550	42.300
Jun	47.000	47.000	47.150	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	35.200	36.200	36.200	35.050
Jul	34.500	35.450	35.650	34.400
Aug	32.325	33.100	33.450	32.200
Feb	45.025	45.525	45.500	44.950
Mar	43.800	44.200	0	43.800
May	45.050	45.650	0	[illegible]

هكذا صدر الأصل

LONDON STOCK EXCHANGE

Market falters but holds above 2,700

By Steve Thompson

AN INCREASINGLY tired equity market managed to close above the 2,700 level on the FT-SE 100 Index but not without a considerable struggle. Ending the day 9.9 lower at 2,702.0, the Footsie stocks attracted just enough support very late in the day to drag the index up from the day's low of 2,697.8, reached just after a weak opening by Wall Street.

The market was looking extremely uncertain at the close, with leading traders said to be increasingly worried about the short-term outlook for Wall Street. The US market had been hoping for a cut in discount rate.

There was very little excitement in the market at the outset, with no evidence of any of the much-rumoured spate of so-called "mega deals". And there were wry smiles around the dealing desks at the absence of the Kuwait Investment Office/BP/Hanson deal widely rumoured to have been in the pipeline. BP lost ground yesterday, with turnover failing to reach 4m shares. The buying of BP on Wednesday was described by one old hand in the market as "low quality".

Fund managers paid only minor heed to the latest batch of economic news, which included money supply figures and bank and building society lending for April. Economists apparently took a second look at the sharp increase in the bank lending figure but were not unduly troubled by the money supply data.

Account Dealing Dates		
*First Dealings:		
May 11	Jun 1	Jun 15
Option Declarations:		
May 28	Jun 11	Jun 25
Last Dealings:		
May 29	Jun 12	Jun 26
Account Day:		
Jun 8	Jun 22	Jul 6

*New-time dealings may take place from 9.30 am two business days earlier.

Lingering fears remained that a sizeable rights issue may be in the offing. However, traders said the Friday before a bank holiday was not the ideal day for a big issue.

Much of the early trading was taken up by company news items. An early slide by BT shares, after the group revealed its first annual reduction in profits, was arrested and then reversed as telecoms specialists came away reassured from the post-figures meeting with the company. A number of previously bearish analysts were said to have adopted a much more positive stance on the shares. Combined turnover in BT "old" and "new" was easily the heaviest in the market.

Banks remained in the limelight with EC clearance of Hongkong & Shanghai Banking's bid for Midland the trigger for more buying of Midland shares. Prudential, the insurance group, was the best individual performance in the Footsie, responding to rather unlikely takeover stories involving Lloyds.

Standard Chartered shares, on the other hand, were given a rough ride by the market after news that losses in securities trading by its Bombay branch has prompted Standard to make a £50m provision.

Turnover in equities just managed to top the 500m mark, reaching 505.7m. Dealers were said to be slightly surprised that customer business on Wednesday had easily topped £1bn, reaching £1.2bn. Much of yesterday's activity, however, was made up of non-Footsie stocks, indicating, dealers said, that the big institutions were not heavily involved in the day's business.

Food retailing was one of the worst performing sectors, after the re-emergence of stories that a price war between the big supermarket groups is on the horizon.

FINANCIAL TIMES STOCK INDICES

	May 21	May 20	May 19	May 18	May 15	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.46	89.37	89.21	89.23	89.04	84.17	89.46 (21/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.16	104.87	104.74	104.57	104.33	93.48	105.16 (21/5)	97.15 (2/1)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2141.9	2147.5	2129.6	2129.1	2113.3	1945.4	2147.5 (20/5)	1951.4 (3/4)	2147.5 (20/5/92)	49.4 (26/6/40)
Gold Mines	112.6	111.9	112.0	112.4	111.4	164.4	160.6 (10/1)	106.8 (29/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2702.0	2711.9	2700.6	2703.6	2682.6	2482.8	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1239.19	1240.86	1232.78	1236.78	1225.65	1168.06	1248.79 (11/5)	1120.52 (6/1)	1248.79 (11/5/92)	939.82 (16/1/91)
●Ord. Div. Yield	4.34	4.32	4.32	4.31	4.34	4.92				
●Earning Yld %(full)	6.38	6.37	6.10	6.10	6.13	8.59				
●P/E Ratio(Net)(☆)	19.62	19.65	20.57	20.58	20.47	14.33				
SEAQ Bargns 5.00pm	28,995	30,906	27,447	27,127	28,573	24,000				
Equity Turnover(£m)†	-	1203.0	892.3	945.5	1005.4	830.41				
Equity Bargains†	-	34,504	33,680	30,890	31,394	23,253				
Shares Traded (ml)†	-	526.3	480.9	439.0	439.0	373.4				

Secs 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.26

Ordinary Share Index, Hourly changes — Day's High 2148.9 — Day's Low 2139.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2145.6	2146.6	2144.9	2146.0	2148.4	2146.8	2147.0	2139.8	2141.9

FT-SE 100, Hourly changes — Day's High 2710.1 — Day's Low 2697.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2708.8	2708.1	2703.9	2708.5	2709.2	2708.4	2709.1	2699.0	2701.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1242.71 — Day's Low 1237.61

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1239.21	1239.86	1241.29	1242.15	1241.06	1240.92	1238.25

GILT EDGED ACTIVITY

Indices*	May 20	May 19
Gilt Edged Bargains	178.0	156.1
5 – Day average	139.0	123.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 40p/minute at all other times.

BT shrugs off profits decline

FULL-YEAR results from BT were generally well received in spite of showing the company's first-ever drop in profits. The figures came in just below most market forecasts but the maintained dividend and better than expected news on restructuring costs helped the shares recover from an initial fall. The fully-paid closed 8 up at 360p and the partly-paid 7½ ahead at 138¼p, in turnover of 12m and 31m respectively.

Few fresh details of BT's business emerged from the analysts' meeting, which one described as "thoroughly ordinary". However, there were firm hints that the management was confident of strong dividend growth. Lower than expected redundancy provisions were also welcomed.

Analysts remained divided over the group's prospects. Regulatory worries head the list of concerns, although most agree that the shares are relatively cheap and are likely to attract attention in the short-term. County NatWest reiterated its positive stance, while James Capel, which had been a seller, declared itself more positive. Most brokers shaved their forecasts back to around £2.95bn for the current year and £3.3bn for next year.

Lasmo retreats

Oil exploration company Lasmo once again suffered the biggest percentage fall among the 100 FT-SE index constituents as analysts continued to remind investors of the question marks hanging over the group's earnings. The shares closed 7 off at 192p after 4.1m traded, having been 11 down at one stage.

The effect of S.G. Warburg Securities' hefty forecast dividend cut on Tuesday was still overhanging the stock and County NatWest told clients yesterday: "The only real support for the shares comes from the net asset value of 192p and the recurrent bid speculation."

Société Générale Strauss Turnbull also reiterated its sell recommendation on Lasmo in its general monthly review of the oil sector.

Talk in the market that Lloyds Bank might bid for Prudential if it fails in its approach for Midland Bank was said to be behind the strength in the life insurer.

Prudential was up 7 at 268p against the market with 3.5m traded. Analysts were wary of the story, pointing out that Lloyds already had two life companies and did not need another. However, Prudential also benefited from encouraging new business figures released yesterday.

Lloyds fell 9 to 430p in reaction to news that the Office of Fair Trading had referred its possible bid for Midland Bank to the Department of Trade and Industry. Meanwhile, the European Commission approved Hongkong and Shanghai Banking's bid for Midland, which held firm at 399p on good turnover of more than 8.1m shares.

A £50m provision by Standard Chartered against possible illegal transactions in its Bombay branch prompted analysts to sharply downgrade 1992 profits forecasts and the shares lost 5 to 511p.

Smith New Court lowered its estimate to £230m from £265m and Robert Fleming Securities came down to £205m from £255m, while BZW is considering a similar reduction from its £250m forecast.

Discount house and financial services group Gerrard & National gained 18 to 320p on announcing pleasing results and a higher final dividend.

The foods sectors stayed under a cloud, with the unfounded threat that a price war in the retail area was imminent depressing many of the leading stocks. J. Sainsbury, which had been the rumoured instigator as the story surfaced late on Wednesday, was said to have denied the talk.

Among food manufacturers, Hillsdown slipped 6 to 180p, Tate & Lyle 5 to 400p, Unigate 7 to 360p and United Biscuits 4½ to 400½p. In the retailing sector, Argyll Group shed 6 to 351p, Kwik Save 9 to 616p, Sainsbury 7 to 458p and Tesco 6 to 274p.

Financial worries continued to overhang Eurotunnel, which ended 11 lower at 370p in thin trade. A sizeable retreat was also recorded in Paris.

Transport Development Group lost 7 to 298p after the resignation of the chief executive of the group's French subsidiary. Profit-taking after the recent run sent NFC down 3 to 279p. Forth Ports added 7 at 166p, with Smith New Court said to be positive on the stock. Demand for P & O continued, the shares firming a penny to 545p.

William Cook dropped 47 to 283p after reporting full-year profits of £4.7m, sharply down from last year's £12.2m.

Cookson Group moved up 3 to 160p ahead of today's annual meeting.

Fisons was volatile in an otherwise lifeless pharmaceuticals sector as a spate of highly dubious rumours circulated. The shares were up 9 in the morning as speculation of takeover bids from ICI or Hanson, and of approval for its Opticrom and Tilade drugs, did the rounds. However, the rumours were eventually discounted and the stock fell to close a net 7 down at 359p.

After a weak spell over the past couple of days, Wellcome recovered 10 to 977p as the shares were marked up on very little turnover. There was no relief for ICI shares, however, which receded 13 to 1347p.

SmithKline Beecham firmed 3 to 870p after announcing that its new Relafen drug had taken 5.6 per cent of US anti-arthritic prescription sales in its first two months on the market.

Packaging group Bunzl put on 3 to 117p following a cautious annual statement. Dolphin Packaging lost 15 to 134p after a profits warning, while Ferry Pickering dipped 5 to 115p, reflecting halved interim profits.

Full-year results from Storehouse came in at the top end of expectations, which together with an upbeat presentation, saw the shares climb 3 to 140p on 5.8m traded.

County NatWest is looking for £26m in the current year, and £40m in 1993 – although analyst Ms Kimlan Cooke warned of "a very long haul" for the BhS and Habitat group.

A big buyer in search of First Leisure stock forced the price up 7 to 336p.

A £150m disposal by Automated Security lifted the shares 18 to 144p and prompted a buy note from BZW.

Textiles and electronics group S. Jerome forged ahead 14 to 69p after the chairman announced at the annual meeting that demand was above the previous year's level. Parkland, which covers a similar area of business, basked in the optimism, advancing 7 to 180p.

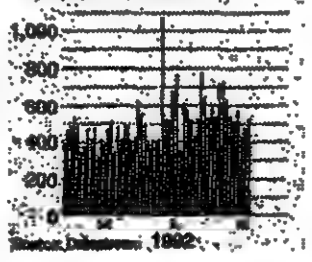
MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other market statistics, Page 22.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	16	446	
ASDA Group	8,100	35½	+¼
Abbey National	825	310	-4
Albert Fisher	481	79	-1
Allied-Lyons	1,300	565	+6
Amstrad	1,300	26	-2
Anglian Water	382	432	+3
Argos	545	273	+1
Argyll Group	8,400	351	-6
Arjo Wiggins	1,300	281	-5
Ass. Brit. Foods	1,300	444	+½
Ass. Brit. Ports	347	416	-3
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures traded in a tight range in a quiet session devoid of notable features, writes Joel Kibazo.

The June contract on the FT-SE opened at 2,729 and early light demand saw it move ahead moderately to 2,730, which turned out to be the high of the day.

June drifted lower thereafter, though two-way business was noted at the lower levels, helping to steady the contract.

The weak opening of Wall Street triggered a sizeable amount of selling, sending June lower, and the contract, having traded between 2,700 and 2,728 for most of the session, closed at 2,718. This was down 16 on its previous close and around 8 points above its estimated fair value premium to cash of about 8. Turnover at the official close was just shy of 6,000 lots.

Further falls were recorded in after hours' trading, with the June contract retreating to reach 2,706 at one stage.

In traded options, turnover was a healthy 33,606 lots, of which 10,007 contracts were traded in the FT-SE 100 option.

Asda was once again the top traded stock option as talk of a consortium launching a bid for the food retailer again did the rounds. It traded 3,162 lots. This was followed by BT, which released full-year figures yesterday, at 1,695 contracts. The August 360 puts were particularly busy.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (258).
BRITISH FUNDS (84) OTHER FIXED INTEREST (19) African Dev 11¼pc '10, Asian Dev 10¼pc '09, Birmingham 11½pc '12. [illegible]

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu May 21 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed May 20 Index No.	Tue May 19 Index No.	Mon May 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (179)	926.77	-0.2	6.39	5.01	20.37	14.90	929.04	922.91	923.42	835.34
2	Building Materials (22)	1104.85	-0.4	5.01	5.36	27.73	19.03	1108.89	1104.45	1103.46	1074.76
3	Contracting, Construction (28)	1057.64	+0.1	3.43	5.71	61.64	23.82	1056.29	1052.01	1046.47	1305.86
4	Electricals (8)	2758.07	......	6.71	5.35	19.37	68.82	2757.98	2744.49	2744.39	2355.93
5	Electronics (29)	2020.06	-1.0	8.87	4.21	14.29	5.05	2039.45	2037.99	2044.59	1761.96
6	Engineering-Aerospace (7)	405.99	......	8.64	6.40	14.68	11.16	406.10	402.23	403.28	427.545
7	Engineering-General (44)	567.33	......	7.34	4.15	16.90	7.82	567.62	566.03	566.05	438.50
8	Metals and Metal Forming (8)	374.62	-0.9	8.87	9.25	-	2.03	377.91	374.19	379.31	445.76
9	Motors (14)	403.06	+0.3	6.62	5.83	19.84	9.96	401.72	387.24	387.99	326.19
10	Other Industrial Materials (19)	1902.23	-0.1	6.53	4.36	18.45	33.79	1904.11	1892.73	1891.17	1483.66
21	CONSUMER GROUP (188)	1727.44	-0.5	7.06	3.32	17.36	16.67	1735.56	1731.17	1734.72	1454.63
22	Brewers and Distillers (24)	2227.34	-0.4	7.55	3.33	15.92	16.84	2237.39	2215.44	2237.99	1805.29
25	Food Manufacturing (17)	1298.45	-0.6	8.20	4.04	15.10	20.33	1306.39	1308.98	1311.17	1158.72
26	Food Retailing (18)	2901.76	-1.4	8.41	3.15	15.44	20.23	2943.97	2978.03	2998.16	2750.42
27	Health and Household (24)	4114.19	-0.5	6.70	2.58	17.00	35.84	4136.38	4118.87	4108.57	3319.30
29	Hotels and Leisure (20)	1425.83	-0.4	5.06	4.77	22.06	23.50	1430.98	1430.03	1433.68	1298.60
30	Media (25)	1677.22	+0.1	5.67	3.27	21.89	18.07	1675.39	1668.90	1673.19	1456.10
31	Packaging, Paper & Printing (17)	858.78	-0.6	5.99	3.85	20.16	21.55	863.94	853.31	851.34	669.07
34	Stores (33)	1107.54	......	6.85	3.31	19.33	6.71	1106.89	1105.66	1102.33	904.73
35	Textiles (10)	749.08	......	6.14	4.15	20.55	10.52	749.11	744.94	741.40	532.40
40	OTHER GROUPS (116)	1345.85	+0.2	9.06	4.83	13.85	14.24	1342.64	1335.46	1335.09	1232.98
41	Business Services (17)	1496.40	-0.4	6.52	4.25	19.33	14.66	1502.75	1489.19	1489.65	1229.12
42	Chemicals (22)	1586.83	-0.9	6.72	4.59	18.24	24.37	1601.72	1598.04	1606.79	1353.85
43	Conglomerates (11)	1427.68	-0.3	9.05	6.65	13.80	11.37	1431.90	1440.77	1452.88	1460.64
44	Transport (14)	2776.28	-0.5	6.70	4.17	18.27	30.47	2790.11	2745.62	2718.45	2201.87
45	Electricity (16)	1317.92	+0.8	13.33	4.94	9.78	17.21	1307.12	1302.23	1295.82	1239.71
46	Telephone Networks (4)	1480.57	+1.6	10.35	4.40	12.61	16.02	1457.80	1449.88	1451.32	1489.71
47	Water (10)	2917.21	+0.2	14.62	5.45	7.54	0.00	2911.33	2887.43	2864.89	2471.80
48	Miscellaneous (22)	2141.02	......	5.51	4.60	23.96	21.83	2140.96	2122.48	2125.44	1889.06
49	INDUSTRIAL GROUP (483)	1409.31	-0.2	7.56	4.12	16.51	15.74	1412.19	1406.26	1407.72	1232.47
51	Oil & Gas (17)	2099.50	-1.0	7.21	5.77	18.19	63.63	2119.67	2104.37	2127.50	2339.57
59	500 SHARE INDEX (500)	1476.93	-0.3	7.53	4.38	16.66	19.30	1481.06	1474.39	1477.38	1327.16
61	FINANCIAL GROUP (87)	800.89	-0.2	-	5.58	-	17.10	802.65	796.81	789.11	795.65
62	Banks (9)	1015.36	-1.1	4.75	5.38	33.29	24.58	1026.34	1016.89	998.67	892.84
65	Insurance (Life) (6)	1613.38	+1.4	-	5.52	-	44.26	1591.18	1571.72	1569.48	1445.75
66	Insurance (Composite) (7)	559.35	+0.5	-	6.22	-	13.46	556.79	561.59	559.55	666.25
67	Insurance (Brokers) (10)	1001.80	+0.1	7.78	6.69	16.89	21.48	1000.77	1001.45	991.29	1070.01
68	Merchant Banks (7)	520.33	......	-	3.99	-	4.25	520.05	510.07	517.43	422.39
69	Property (33)	728.76	+0.1	7.55	5.40	18.32	6.75	727.68	714.41	715.66	966.29
70	Other Financial (15)	271.09	+0.4	6.66	6.39	20.35	3.12	269.94	268.25	267.14	284.23
71	Investment Trusts (70)	1261.42	-0.6	-	3.54	-	15.07	1269.34	1267.91	1262.61	1212.17
99	ALL-SHARE INDEX (657)	1314.63	-0.3	-	4.52	-	18.45	1318.33	1312.07	1312.69	1198.71

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 20	May 19	May 18	May 15	May 14	Year ago
FT-SE 100 SHARE INDEX‡	2702.0	-9.9	2710.1	2697.8	2711.9	2700.6	2703.6	2682.6	2694.7	2482.8

FIXED INTEREST

	PRICE INDICES	Thu May 21	Day's change %	Wed May 20	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (25)	123.13	+0.06	123.06	2.22	4.62
2	5-15 years (24)	139.82	+0.11	139.67	2.31	5.45
3	Over 15 years (10)	152.66	+0.18	152.40	3.19	3.39
4	Irredeemables (6)	167.23	+0.19	166.91	0.82	6.11
5	All stocks (65)	137.25	+0.10	137.11	2.40	5.04
	Index-Linked					
6	Up to 5 years (2)	172.10	-0.18	172.42	0.54	1.83
7	Over 5 years (9)	151.83	-0.24	152.19	1.01	1.64
8	All stocks (11)	153.45	-0.23	153.80	0.94	1.65
9	Debs & Loans (63)	122.08	+0.55	121.42	2.26	4.67

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 21	Wed May 20	Year ago (approx.)
	British Government				
1	Low	5 years	8.02	8.07	9.14
2	Coupons	15 years	8.85	8.87	9.76
3	(0%-7¾%)	20 years	8.86	8.88	9.91
4	Medium	5 years	9.09	9.11	10.31
5	Coupons	15 years	8.90	8.92	10.20
6	(8%-10¾%)	20 years	8.87	8.89	10.12
7	High	5 years	9.29	9.30	10.48
8	Coupons	15 years	9.03	9.04	10.37
9	(11%-)	20 years	8.98	9.00	10.26
10	Irredeemables		9.06	9.08	10.16
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.00	3.94	4.08
12	Inflation rate 5%	Over 5 yrs.	4.37	4.35	4.21
13	Inflation rate 10%	Up to 5 yrs.	3.26	3.20	3.16
14	Inflation rate 10%	Over 5 yrs.	4.18	4.16	4.02
15	Debs &	5 years	10.41	10.47	11.88
16	Loans	15 years	10.19	10.25	11.65
17		25 years	10.09	10.15	11.48

‡Opening index 2708.8; 9 am 2708.1; 10 am 2703.9; 11 am 2708.5; Noon 2709.2; 1 pm 2708.4; 2 pm 2709.1; 2.30 pm 2704.3; 3 pm 2699.0; 4.10 pm 2703.0; (a) 11.17am (b) 3.08pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or-	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
3pc 1992		[illegible]	—	[illegible]	[illegible]	3.01	—
Exch 12¼pc 1992		[illegible]		101¼	100[illegible]	12.18	[illegible]
13½pc 1992		[illegible]	—	102¼	101[illegible]	13.35	9.87
Treas 8¾pc 1993		[illegible]	—	98¼	97[illegible]	8.31	9.25
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or-	1992 high	1992 low	Yield Int.	Yield Red.
Exch 12¼pc 1999		115¼	—	115¾	109½	10.68	9.19
Treas 10½pc 1999		107[illegible]	+¼	107¾	101[illegible]	9.78	9.07
Conversion 10¼pc 1999		[illegible]		[illegible]	100[illegible]	9.84	9.08
9pc 2000‡‡		[illegible]		[illegible]	94¾	8.96	8.91
Treas 13pc 2000		120[illegible]		121[illegible]	114[illegible]	10.76	9.28
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or-	1992 high	1992 low	Yield (1)	Yield (2)
Index-Linked	(b)						
Treas 2pc '94	(102.9)	[illegible]		[illegible]	122½	2.75	4.12
2pc '96	(67.9)	[illegible]		[illegible]	176¼	3.36	4.01
2½pc '01	(78.3)	147		147¾	143	4.06	4.43
2½pc '03	(78.8)	[illegible]		149	138[illegible]	4.14	4.43
2pc '06	(69.5)	148		148¼	138[illegible]	4.18	4.42
2½pc '09	(78.8)	[illegible]		[illegible]	126[illegible]	4.29	4.40
2½pc '11	(74.6)	[illegible]		137[illegible]	129¾	4.18	4.38
[illegible]							

OTHER FIXED INTEREST

[illegible]

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	38xd	-⅛	38⅛	34	16,309	1.9
♥Allegheny & W	281p	+9	325p	239p	148.8	6.0
Amdahl	654p	+14	1150p	615p	1,085	0.6
Amer Cyanamid	32	+⅛	37	31⅞	2,931	2.9
Amer Express	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.5
Amer T & T	24xd	+⅛	24⅞	20⅛	31,721	3.1
Ameritech	35	+¼	35 11/16	32½	15,324	5.7
BankAmerica	25 13/16xd	+11/16	27⅛	19 1/16	9,198	2.7
Bankers NY	32½xd	-⅛	37¼	28⅞	2,678	6.4
Bell Atlantic	24⅜	+⅛	26¼	23⅛	10,458	6.0
BellSouth	25⅞	—	29⅛	25	13,088	5.6
♥Bethlehem Steel	8xd	—	9⅝	7	611.8	-
Bowater	1168pxd	-10	1678p	1078p	428.1	5.7
CPC h	23⅜	+⅛	25⅝	22⅛	3,535	2.9
California Engy	687p	—	835p	646p	126.9	-
Campbell Soup	18 7/16	+3/16	23 3/16	17 13/16	4,848	2.4
Chase Manhattan	15 13/16xd	-1/16	16½	9⅝	2,240	4.2
Chrysler	10 3/16xd	+1/16	11⅛	6¼	2,577	3.3
Citicorp	10½xd	+1/16	11	6⅜	3,636	-
Colgate-Palm	28⅝xd	+1/16	28⅞	25⅛	4,495	2.1
Cont'l Bank	989p	-5	1036p	499p	999.4	3.4
Dana	22½xd	-⅛	24½	14 7/16	925.8	4.0
Data General	456p	—	1804p	456p	126.4	-
Dial	19⅝xd	+3/16	24⅛	18⅝	787.8	3.2
Dun & Brad	29	—	30½	27⅝	5,175	4.4
Eaton	44⅛	+⅜	46½	32½	1,503	2.8
Echlin	9 13/16xd	+⅛	11	7⅛	585.8	4.0
FPL	19 7/16xd	+3/16	20	18⅛	3,294	7.1
Fluor	23 3/16xd	-⅛	27	21	1,868	1.0
Ford Motor	24 3/16	-1/16	25¼	15	11,726	2.3
Gen Elect	42⅝xd	+1/16	46½	40 1/16	38,833	2.7
♥General Host	448p	—	555p	360p	-	4.5
Gillette	27xd	-⅛	28⅞	26⅛	5,866	1.5
Hasbro	15⅛	+⅛	16	12⅞	1,303	0.7
Honeywell	39¼xd	+⅛	42	34⅛	2,740	2.4
Houston Inds	23⅞	+⅜	25	23	3,092	7.0
IBM	50½xd	-3/16	54½	[illegible]	[illegible]	5.4
Ingersoll-Rand	34⅝xd	+3/16	35 1/16	28 3/16	1,789	2.2
Lockheed	24⅜	+⅛	28⅞	22⅛	1,629	4.9
Lowe's	2321p	-8	2478p	1631p	845.1	1.4
Merrill Lynch	28⅝xd	+11/16	30 13/16	25⅛	2,883	2.2
Morgan (JP)	31 3/16xd	+3/16	37½	28 3/16	5,936	3.9
Morris (Philip)	42¼xd	+⅛	45 7/16	41⅛	38,853	2.8
NYNEX	42¼	+⅛	44⅜	39⅝	8,671	6.1
♥Pac Agric	42p	—	67p	28p	-	-
Pall	18	-⅛	17 13/16	10 3/16	1,140	1.6
Pennzoil	35¼xd	+3/16	38¼	25⅛	1,862	6.4
Quaker Oats	30¼xd	+1/16	40 3/16	28 3/16	2,280	3.2
Rockwell	13xd	—	15 13/16	12⅞	2,919	4.0
Rep NY	23⅛	+⅛	35 3/16	22 1/16	1,226	2.4
Sears, Roebuck	34⅝xd	+⅛	38	19 3/16	8,473	4.6
Sthwestern Bell	34⅝	—	35⅞	32⅛	10,393	4.7
Sun Co	16½xd	-⅛	18⅞	14 13/16	1,844	6.7
Tenneco	22½xd	-⅛	25 3/16	16½	2,796	4.0
Texaco	34 3/16xd	+⅛	36¼	30 13/16	4,828	5.3
Time Warner	68⅛xd	+11/16	102⅛	48½	6,589	0.9
♥Unilab	462p	—	687p	440p	448.7	-
Utd Tech	28⅞xd	-⅛	31⅛	27	3,512	3.5
♥Utilitech	94p	—	132p	66p	-	-
URS Intl 1c	0¾p	—	1¼p	0½p	2.38	
US West	18½	—	21 13/16	16⅞	7,998	6.1
Varity	755p	-14	898p	632p	188.4	-
Waste Manage	28⅝xd	-⅛	36	20⅛	10,057	1.2
Whirlpool	2288pxd	+47	2790p	2021p	1,807	2.7
♥Woolworth	16⅛	+⅛	16⅜	14⅛	2,021	3.9

CANADIANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
♥Abbot Energy	2p	—	2p	1¾p	-	-
Amer Barrick	1346p	-11	1642p	1266p	1,888	0.3
Bk Montreal	19⅛	+⅛	22⅛	19½	2,887	5.8
Bk Nova Scot	886p	—	1176p	893p	1,851	5.2
♥BC Gas	711p	—	878p	711p	-	4.6
BCE	20⅛	+⅛	24½	20	6,322	7.6
♥Brascan	814p	-13	887p	714p	871.3	6.9
♥Breakwater	22p	—	33p	6p	14.6	23.5
Can Imp Bk	1286p	-17	1610p	1246p	2,316	5.7
Can Pacific	808p	-13	906p	768p	2,673	0.3

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

	Notes	Price	+or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc		97½	+½	107	83½	12.3	—	—
Cap		33	−1	42	12½	—	64.7	47.1
Stepped Pf	†	149¼	+½	149¼	128	8.8	—	—
Zero Div Pf		185	—	185	166½	—	—	—
Warrants		7	—	9	3½	—	—	—
Scot Value		82½	—	82½	48	3.9	63.6	2.6
Sec Alliance	†	1280	−7	1280	1138	3.7	1391.4	9.4
Second Market		242	—	243	222	8.8	268.8	10.5
Sec Tst Scot		74xd	−1	76½	63	6.9	75.6	1.5
Select Assets		99	—	102½	98	1.2	131.8	24.8
Eq Ind Serl		122	—	122	108	4.6	—	—
Eq Ind Serl		122	—	122	[illegible]	4.6	—	—
Shires		[illegible]	−3	240	195	10.3	240.7	1.5
11pc Cv Ln '03/04		£114½	−3	£119½	£95½	9.6	—	—
Sum Select		78	—	91	78	1.7	84.6	7.8
Warrants		15	—	21	15	—	—	—
Smaller Cos		84	—	88	67	4.9	90.4	7.1
Warrants		10	—	20	10	—	—	—
[illegible] Inc		15½	—	20	14¾	26.7	24.5	36.8
[illegible] Div Pf		78¼	+½	78½	68¾	—	—	—
Warrants		0¾	—	3½	0¾	—	—	—
Stratton		160	—	166	147	1.4	192.0	12.5
Sumit		50	[illegible]	62	38	3.3	109.6	54.4
TR City of Lon		126	−½	126½	97½	5.8	122.8	−2.6
TR Euro Growth		88	—	88	63	1.5	100.1	11.7
Ptg Sub		50	—	54	50	2.7	—	—
TR Far East Inc		98xd	—	98	78	0.7	101.8	8.7
Warrants		20	−1	22	12	—	—	—
TR High Inc		100	—	[illegible]	91	7.3	103.6	−5.2

MERCHANT BANKS

	Notes	Price	+or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Arbuthnot (H)		29	—	33	25	44.1	—	—
Badeg 8pc Cm 2nd Pf		98	—	98	83½	12.3	10.9	—
9¾pc Non-Cm Pf		118½	−½	119	103¼	47.4	11.0	—
Brown Shipley		190	—	284	125	28.7	8.2	—
Close Bros	†	251	—	257	247	[illegible]	4.7	11.2
Hambros	†	299	+1	[illegible]	215	[illegible]	5.9	11.4
7½pc Cv Pf		116	—	119	83	177.8	8.6	—
Joseph (L)		320	—	332	318	17.3	6.4	—
Kleinwort Benson		290	—	310	272	[illegible]	7.1	21.2
Rea Bros		35	—	37	28	13.7	1.9	—
Schroders		1313	—	1326	1043	[illegible]	1.8	15.3
N/V		1110	—	1113	880	148.7	2.2	12.9
Singer & Fried		49½	—	58	37	[illegible]	6.7	10.8
Warburg (SG)	†	597	—	665	445	1,247	3.6	12.5
8pc Cv Pf		200	−2	284	150	[illegible]	4.8	—
Wintrust		228	—	228	213	18.7	5.6	8.5

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

[illegible]

Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	270.5	270.5	288.0	-0.1	0.78
(Accum Units) ♥	5	318.4	318.4	339.0	-0.1	0.78
British	5	885.4	902.3	954.6	+1.1	5.23
(Accum Units)	5	1484.8	1513.2	1600.9	+1.9	5.23
European	5	339.0	339.0	359.6	-1.4	1.44
(Accum Units)	5	367.5	367.5	389.8	-1.5	1.44
Japan	5	97.61	97.61	103.9	+0.8	-
(Accum Units)	5	98.39	98.39	104.7	+0.8	-
New Pacific	5	208.3	208.3	222.4	+1.4	1.57
(Accum Units)	5	213.9	213.9	228.4	+4.9	1.57
PEP May 13	5	164.1	165.6	175.4	....	3.50
Mngd Equity	5	133.3	134.8	142.6	+0.2	2.70
Mngd Equity Acc	5	141.4	143.0	151.3	+0.2	2.70
Mngd Cash	0	96.30	96.30	96.30	....	9.43
(Accum Units)	0	121.0	121.0	121.0	....	9.43
Majority Stkg	1	100.41	100.41	101.41	+0.02	9.18
Majority Stk Acc	1	111.35	111.35	112.46	+0.02	9.18
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International May 15	0	49.63	49.63	50.09	....	1.77
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	654.4	661.8	707.8	-1.0	2.83
North America	6	81.63	81.65	87.30	+0.06	0.39
Far East	6	87.69	87.69	93.80	+0.80	0.61
W'wide Bond	6	47.29	47.29xd	50.31	+0.17	6.26
European	6	69.48	69.48	74.31	-0.22	1.40
Equity Income	6	73.93	73.93	79.07	+0.10	5.16
Portfolio	6	60.29	60.29xd	64.48	+0.15	1.80
UK Leading Cos	6	46.72	47.31	50.33	....	2.85
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	....	2.23
Intnl Equity	6	46.19	46.68	49.93	[illegible]	2.73
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Apr 30	189.10	192.95	.....	8.21
Equity Apr 30	905.90	918.60	.....	3.83
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond May 20	105.62xd		+0.3	10.21
(Accum Units)	686.51		+1.9	10.21
NAAGIF May 19	42.75xd		.....	9.09
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † May 19	141.4	151.6	.....	1.78
UK Small Co † May 19	569.0	622.9	.....	3.22
Fixed Interest † May 19	110.7	116.5	.....	8.58
US Small Co May 19	151.9	162.5	.....	0.00
Managed May 19	115.8	123.8	.....	3.46
Intl Bond May 19	120.6	127.2	.....	10.30
Japan May 19	61.42	65.44	.....	4.87
European May 19	92.86	99.38	.....	1.70
Nth American May 19	110.7	119.2	.....	1.38
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	54.35	56.33	+0.41	1.06
European Exempt	54.08	56.79	-0.17	2.27
Fixed Int Ex May 20	48.63	49.83	.....	8.67
Japan Exempt	37.46	38.97xd	+0.42	0.74
Managed Ex May 21	48.13	50.06xd	-0.09	3.94
SE Asia Exempt	80.64	84.68	+0.75	2.42
Sm Cos Expt May 20	38.65	40.59xd	.....	3.17
UK Expy Ex May 20	46.96	49.31	.....	3.58
Phillips & Drew Fund Management Ltd				
Small Co's May 7	712.80	759.15xd	.....	4.27
Do Accum	832.15	886.26	.....	4.27
Intl Expt May 21	193.08	195.15xd	-0.02	1.65
UK Index May 7	1244.98	1260.98xd	.....	4.62
Do Accum	1388.89	1406.08	.....	4.62
Convertible May 18	100.86	104.07xd	.....	7.77

INSURANCES

OTHER UK UNIT TRUSTS

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	Bid Price	Offer Price	+ or –	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134.6	141.7	....	–
Property Acc. (Gross)	256.5	270.0	.....	–
Equity (Gross)	936.5	985.8	–1.7	–
Managed (Gross)	645.1	679.0	–0.4	–
Property Acc. (Net)	122.7	129.2	+0.1	–
Equity (Net)	216.0	227.4	–0.4	–
Managed (Net)	197.5	207.9	[illegible]	–
International (Net)	168.5	177.4	....	–
Gilt & Fixed Interest	140.6	148.0	+0.1	–
Money Fund	138.8	146.1	.....	–
Mixed Fund (Cap)	123.3	129.8	....	–
Mixed Fund (Acc)	127.2	133.9	....	–
Adventurous Managed	97.0	102.1	+0.4	–
Cautious Managed	95.6	100.7	....	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	701.9	738.9	–0.8	–
Ret Man (Series 2)	238.0	250.6	–0.3	–
Ret Cash	[illegible]	205.4	+0.1	–
Pens Mixed Fd (Cap)	138.4	145.7	....	–
Pens Mixed Fd (Acc)	142.8	150.4	....	–
Pens Stg Fd (Cap)	103.2	108.7	....	–
Pens Stg Fd (Acc)	106.5	112.2	....	–
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 290271				
Life Funds				
Managed Aggressive	104.1	109.6	+0.3	–
Managed Balanced	102.6	108.0	+0.3	–
Managed Cautious	114.2	120.2	+0.1	–
Pension Funds				
Managed Aggressive	108.9	114.7	+0.4	–
Managed Balance	107.5	113.2	+0.3	–
Managed Cautious	119.0	125.3	+0.2	–

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	+ or –	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	142.0	150.0	....	–
Building Soc. Fd	221.0	233.0	....	–
Balanced	290.0	306.0	+2.0	–
European	211.0	223.0	–1.0	–
GT Managed	192.0	203.0	+1.0	–
Gartmore Mngd	129.0	136.0	+1.0	–
German	137.0	145.0	....	–
Gilt	187.0	197.0	....	–
Global	40.0	43.0	....	–
International Equity	212.0	224.0	+1.0	–
Japan	175.0	185.0	....	–
Leisure	48.0	51.0	....	–

	Bid Price	Offer Price	+ or –	Yield Gross
Provident Mutual Life Assc. Assn. – Contd.				
Index Linked Gilt Init.	127.1	133.8	–0.1	–
Overseas Equity Ord.	271.5	285.8	+1.3	–
Overseas Equity Init.	198.8	209.3	+0.9	–
Property Ord.	221.1	232.7	....	–
Property Init.	161.9	170.4	....	–
[illegible]	229.0	241.1	+0.8	–
Fixed Interest Init.	167.7	176.5	+0.5	–
Deposit Ord.	185.7	195.5	+0.1	–
Deposit Init.	136.0	143.2	+0.1	–
Pension Funds				
Managed Ord.	478.1	503.3	+0.5	–
Managed Init.	350.1	368.5	+0.3	–
Equity Ord.	753.7	793.4	–0.6	–
Equity Init.	551.9	580.9	[illegible]	–
Pen Ind Lkd Gilt Ord	187.2	197.1	[illegible]	–
Pen Ind Lkd Gilt Init.	143.1	150.6	–0.2	–
Overseas Equity Ord.	308.6	324.8	+1.4	–
Overseas Equity Init.	226.0	237.9	+1.2	–
Property Ord	279.4	294.1	..	–
Property Init.	204.6	215.4	....	–
Fixed Interest Ord.	290.8	306.1	+0.9	–
Fixed Interest Init.	212.9	224.1	+0.6	–
Deposit Ord.	265.9	279.9	+0.1	–
Deposit Init.	194.7	204.9	....	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prudential				
Managed May 20	289.6	[illegible]	....	–
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3201				
Prudential Managed Funds				
Discretionary May 20	£193.71	199.78	–0.83	–
Equity May 20	£226.13	233.89	–0.56	–
International May 20	£27.30	27.89	–0.43	–
Intl Bond May 20	£14.39	14.39	[illegible]	–
Fixed Int May 20	£105.31	106.49	+0.87	–
Index Linked May 20	£75.94	76.90	+0.93	–
Property May 20	£109.63	115.67	+0.19	–
Cash May 20	£30.4855	30.4855	+0.0524	–
Pru-Linked Retirement Plan				
Managed May 12	471.3	491.0	....	–
Cash May 12	280.0	291.7	....	–
Prudential Pensions Investment Account				
Pens Mixed May 22	189.9	204.4	[illegible]	–
Pens UK Eq May 22	343.6	370.4	+0.4	–
Pens Intl May 22	198.7	213.7	+0.1	–
Pens Global Eq May 22	104.4	112.1	+0.1	–
Pens Fixed May 22	239.7	253.1	–0.3	–
Pens Index Lk May 22	195.5	206.4	–0.5	–

OFFSHORE AND OVERSEAS

OFFSHORE INSURANCES

MANAGEMENT SERVICES

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

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GUERNSEY (REGULATED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

IRELAND

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues recovery

THE DOLLAR continued to recover against the D-Mark in European trading yesterday as dealers dismissed the possibility of an imminent cut in interest rates by the Federal reserve, *writes James Blitz*.

The Fed's decision on Wednesday night not to signal a cut in the Fed Funds rate *continued to strengthen dollar* bulls yesterday. So, too, did the decision by the Bundesbank's General Council meeting yesterday not to increase German rates, widening the already large differential in rates between both countries.

Another boost to the dollar came from a report in the Asian Wall Street Journal, which suggested that the Fed had ended the bias toward easing held in its directives since last August. One London-based analyst said it was hard to believe that any member of the Federal Open Markets Committee would leak such information to the press, but admitted that the net result of the story was to strengthen the dollar.

Compounding all this was *the weekly US unemployment* claims figure, which was down 18,000 on the week, at 406,000. As a result the US currency *closed up over a pfennig in* London, at DM1.6140, after a previous close of DM1.6020. In late New York trading, it had reached DM1.6145. The dollar also ended up against the Japanese yen, at Y130.20, after closing at Y129.65 the night before.

Although it had appreciated in overnight trading, sterling slipped in European trading yesterday as dealers suspected that the Bank of England had shown a more accomodative stance in its money market operations.

Treasury and Bank of England officials have repeatedly stressed that a near-term rate cut is unlikely. But the market seems to have reacted bearishly to the Bank's decision to take out a £1.3bn shortage early in its operations. The pound ended the day unchanged at DM2.9325.

The Italian lira slipped *towards the floor of the* Exchange Rate Mechanism's currency grid as operators fretted about Italy's seemingly endless rounds of voting for a new president. The political instability has increased concern that action will not be taken to tackle a huge budget deficit.

The lira fell one place to second-from -bottom of the EMS grid. The D-Mark ended up against the lira at Lira 753.30, after closing at Lira 752.50 the night before.

One analyst suggested yesterday *that the market's* uncertainty about the lira may be exacerbated by nervousness about the Danish referendum on European Monetary Union, which is due on June 2. The analyst said that some dealers fear that if the Danes decide not to join EMU, the whole project will start to fall apart, adding to uncertainty in the European Monetary System.

£ IN NEW YORK

May 21	Latest	Previous Close
£ Spot	1.8160-1.8170	1.8305-1.8315
1 month	0.93-0.91pm	0.96-0.95pm
3 months	2.72-2.68pm	2.78-2.75pm
12 months	8.87-9.77pm	9.20-9.10pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.991	-4.33	5.72	71
Spanish Peseta	133.631	128.336	[illegible]	5.31	68
Belgian Franc	42.4032	42.2826	-0.28	[illegible]	18
Dutch Guilder	2.31643	2.31352	-0.13	1.26	11
D-Mark	2.05586	2.05472	[illegible]	1.19	9
Irish Punt	0.767417	0.768914	0.20	[illegible]	[illegible]
French Franc	6.89509	6.90896	0.20	0.93	[illegible]
Sterling	[illegible]	0.699942	0.44	0.70	-20
Italian Lira	1538.24	1548.22	0.65	0.49	[illegible]
Danish Krone	7.84195	7.93090	1.13	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8170 - 1.8250	1.8170 - 1.8180	0.94-0.92cpm	[illegible]	2.71-2.68pm	5.93
Canada	[illegible]	[illegible]	0.70-0.64cpm	3.71	1.38-1.30pm	2.47
Netherlands	3.3000 - 3.3075	[illegible]	[illegible]	0.45	[illegible]	0.39
Belgium	60.30 - 60.50	60.30 - 60.40	5-par pm	0.50	[illegible]	0.30
Denmark	11.3250 - 11.3600	11.3325 - 11.3425	[illegible]	-0.32	[illegible]	-0.20
Ireland	1.0970 - 1.0995	1.0970 - 1.0980	[illegible]	0.33	[illegible]	-0.02

MONEY MARKETS

Rates end lower

RATES in the sterling money markets ended lower yesterday after the *Bank of England* forecast a large shortage that was quickly taken out in the morning.

The Bank forecast a shortage of £1.3bn at the start of the day and, in the early round, purchased £250m of Band-1 Bank bills at 9⅞ per cent, and £1.05bn of bills for resale to the market in equal amounts on 9 and 10 June at an interest rate of 9 13/16 per cent.

The speed with which the shortage was eliminated took a number of dealers by surprise.

UK clearing bank base lending rate 10 per cent from May 5, 1992

One money market analyst suggested that, not so long ago, the Bank's stance yesterday might have been seen as accomodative, and signalling a base rate cut.

However, recent comments from the *Deputy Governor* of the Bank of England and the Chancellor of the Exchequer make this hard to believe. Most *dealers spoken to yesterday* felt that the Bank was, at the very most, showing that it was happy with rates at the current levels. Others said that the speed with which the shortage was removed was part of the well-tried strategy of pushing the overnight rate down as far *as possible before a Bank* Holiday weekend.

Everything from 3-month money to 1-year ended the day at 9 13/16 per cent, down 1/16 on the day. The overnight rate ended sharply down, at 9½ per cent having closed at 12¾ per cent the previous day.

In the afternoon, the Bank's forecast was revised to a shortage of £1.45bn before taking account of the morning *operations. In the afternoon* the Bank purchased £58m of Band-1 bank bills at 9⅞ per cent.

There was less activity in the sterling futures market. The June short sterling contract ended the day at 90.04 per cent, up six ticks on the day. The closing price indicates that the market believes 3-month LIBOR in mid-June will be at 9.96 per cent. The September contract ended the day at 90.34, up three ticks on the day. The closing price suggests that the market thinks 3-month LIBOR in September will be at 9.66 per cent.

In Germany, call money rates were easier yesterday due to high levels of reserves held on deposit at the Bundesbank. But traders said that the decline in overnight rates, which were quoted at 9.45-55 per cent yesterday, was chiefly due to technical factors.

LONDON MONEY RATES

Treasury Bills (sell); one-month 9½ per cent; three months 9½ per cent; six months 9½ per cent; Bank Bills (sell); one-month 9½ per cent; three months 9½ per cent; Treasury Bills; Average tender rate of discount 9.3715 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1992. Agreed rates for period May 26, 1992 to June 23, 1992, Scheme I: 11.75 p.c., Schemes II & III: 11.93 p.c. Reference rate for period April 1, 1992 to April 30, 1992, Scheme IV&V- 10.685 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from May 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
106	-	-	-	-	0.09	-
107	1.74	-	-	-	0.21	0.46
108	0.74	1.39	1.84	-	0.43	-
109	-	0.79	1.20	[illegible]	0.83	-
110	-	0.42	[illegible]	1.26	-	-
111	-	0.29	-	-	-	-
Open Int	119,444	48,805	12,250	89,271	37,404	16,225

Estimated volume 29,677 Total Open Interest 323,677

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williman Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Beachmark Bank	11	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp.	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

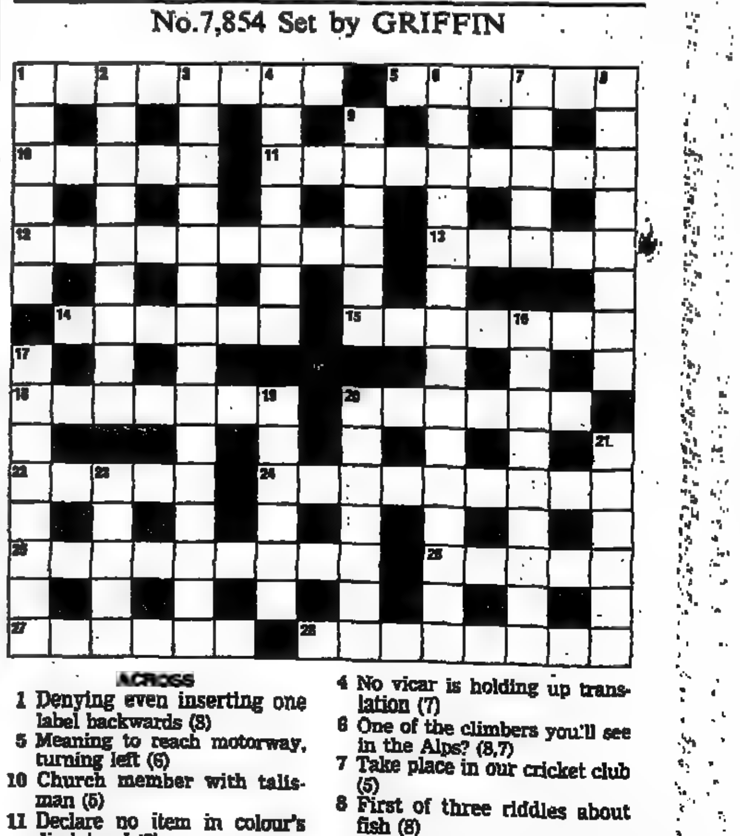
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,854 Set by GRIFFIN



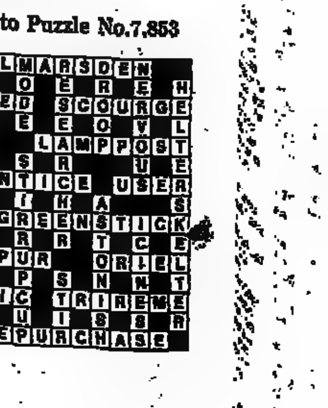
ACROSS

1 Denying even inserting one label backwards (8)
5 Meaning to reach motorway, turning left (6)
10 Church member with talisman (5)
11 Declare no item in colour's disclaimed (9)
12 Members seize gun without question, applying pressure (9)
13 Share transport in returning from here (5)
14 Way wrong name can be a bit of a bloomer (6)
15 Get moving right equipment in and set off (7)
18 Rode round looking angry as instructed (7)
20 Stays with firm before rest break (6)
22 Rent is left as mum's outside (5)
24 Post ruler to shopkeeper (9)
25 Close after 1pm, retirement imminent (9)
26 Including the nonsense we composed (5)
27 Len could be first to sign on (6)
28 Made coloured pictures of yard once tidied up (8)

DOWN

1 Most pleasant French city, by the way (6)
2 Data due to be amended after George received degree (9)
3 Do they sell a good deal? (6,9)
4 No vicar is holding up translation (7)
6 One of the climbers you'll see in the Alps? (8,7)
7 Take place in our cricket club (5)
8 First of three riddles about fish (8)
9 King with curly thing is chess piece (6)
16 Warner follows jealous newcomer (9)
17 Plot together to get company reps in trouble (8)
19 Flow gently when old copper is lit up (6)
20 War-horse often attached to a battery? (7)
21 Chum electrocuted holding neutral.... (6)
23 ....shock from circuit father reversed (5)

Solution to Puzzle No.7,853



AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / FRANCE (continued) / GERMANY / GERMANY (continued) / NETHERLANDS / NORWAY / SPAIN / SWEDEN / SWEDEN (continued) / SWITZERLAND / ITALY / SOUTH AFRICA / JAPAN / AUSTRALIA / AUSTRALIA (continued) / HONG KONG / MALAYSIA / SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

3:00 pm prices May 21

Quotations in cents unless marked $

[illegible]

MONTREAL

3:00 pm prices May 21

[illegible]

46600 NatBk Can	$8 1/4	8 1/8	8 1/4	−1/8
15700 Provigo	$8 1/8	7 7/8	8 1/8	+1/2
2100 Quebecor A	$14	14	14	−1/8
2100 Teleglobe	u$13 1/2	13 1/4	13 1/4	
28500 Videotron	$16 1/4	16 1/4	16 1/4	+1/4

Total Sales 7,993,000 shares

INDICES

NEW YORK

DOW JONES	May 20	May 19	May 18	May 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3393.84	3397.99	3376.03	3353.09	3397.99 (19/5)	3172.41 (2/1)	3397.99 (19/5/92)	41.22 (2/7/32)
Home Bonds	100.15	100.17	100.07	99.96	100.17 (19/5)	98.41 (30/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1373.32	1373.13	1372.57	1374.07	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.65	213.95	212.44	212.01	225.59 (3/1)	280.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3421.42 (3413.37) Low 3376.03 (3350.41)

STANDARD AND POOR'S	May 20	May 19	May 18	May 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	415.39	416.37	412.81	410.09	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	490.24	491.77	487.50	484.06	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.65	35.50	35.14	35.03	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	228.94	229.32	227.59	226.31	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	392.15	392.37	391.52	390.37	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	580.29	578.05	576.53	574.43	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 15	May 8	May 1	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.77	2.79	3.13

	May 13	May 6	Apr 29	year ago (approx.)
S & P Industrial div. yield	2.62	2.61	2.62	2.78
S & P Indl. P/E ratio	29.19	29.29	28.96	18.53

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Gen Motors	6,919,300	39	- 1/4
Walt Disney	5,228,400	39 1/4	- 1 1/8
RJR Nabisco	2,964,200	10	+ 1/8
Limited	2,402,700	20 1/8	- 1/8
ADV Micro	2,395,600	14 7/8	- 1 1/8
BankAmerica	2,222,900	45 7/8	+ 1
Humana	2,137,300	23	- 2 1/4
Alcatel Al	2,000,600	23 1/4	...
Coca-Cola	1,630,100	44 1/2	- 1/8
McDonalds	1,596,200	46 1/4	+ 1 1/8

TRADING ACTIVITY

† Volume Millions	May 20	May 19	May 18
New York SE	198.170	187.030	149.830
Amex	12.109	15.581	10.051
NASDAQ	160.230	156.672	129.352
NYSE			
Issues Traded	2,259	2,272	2,275
Rises	823	986	1,039
Falls	861	703	706
Unchanged	575	583	530
New Highs	66	66	60
New Lows	15	21	16

CANADA

TORONTO	May 20	May 19	May 15	May 14	1992 HIGH	1992 LOW
Metals & Minerals	3061.98	3054.54	3063.73	3078.92	3238.87 (16/1)	2828.26 (8/4)
Composite	3381.21	3385.28	3391.43	3388.31	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1776.68	1779.39	1778.23	1777.84	1997.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 21	May 20	May 19	May 18	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1682.6	1682.0	1666.3	1668.5	1682.70 (13/5)	1545.30 (9/4)
All Mining (1/1/80)	708.7	704.7	697.1	693.6	717.20 (25/2)	640.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	407.12	408.77	407.65	406.04	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	975.51	981.57	977.78	972.46	1099.43 (24/2)	981.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1213.86	1224.19	1221.84	1225.21	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	332.55	333.71	334.56	337.36	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	841.9	841.0	847.5	851.3	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	546.67	547.24	550.38	547.13	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	2016.83	2030.84	2023.13	2051.64	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	719.29	717.40	710.56	708.13	719.29 (21/5)	643.26 (8/1)
Commerzbank (1/12/53)	2027.1	2022.2	2000.9	1994.3	2027.10 (21/5)	1813.80 (8/1)
DAX (30/12/87)	1785.48	1787.50	1763.26	1758.43	1787.50 (20/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5865.61	5753.76	5642.24	5637.09	5865.61 (21/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1407.69	1412.73	1408.52	1407.00	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	488.41	475.01	472.80	474.65	551.59 (6/2)	472.72 (15/5)
MIB General (2/1/92)	965.0	938.0	933.0	933.0	1086.00 (5/2)	932.00 (15/5)
JAPAN						
Nikkei (16/5/49)	18691.29	18674.93	18754.11	18443.10	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1391.32	1394.51	1393.31	1370.74	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	2073.14	2079.24	2084.02	2079.26	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	592.86	594.09	590.91	(c)	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen.(End 1983)	309.2	309.2	308.0	308.5	309.20 (20/5)	274.00 (8/1)
CBS All Shr (End 1983)	211.8	211.7	211.0	211.4	213.60 (11/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	756.59	764.95	771.58	772.74	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1376.80	1358.20	1338.95	1317.11	1376.80 (21/5)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	394.85	395.45	394.93	(c)	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1113.08	1121.0	1139.0	1135.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4605.08	4563.0	4561.0	4566.0	4605.00 (21/5)	4169.00 (2/1)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	573.83	579.91	587.97	588.05	691.48 (8/2)	569.65 (10/4)
SPAIN						
Madrid SE (30/12/85)	260.45	259.88	259.76	260.62	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1001.1	999.3	998.4	998.6	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	867.0	870.4	871.4	873.0	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	668.9	670.5	670.1	673.3	682.30 (11/5)	601.10 (8/1)
TAIWAN **						
Weighted Price (30/6/66)	4563.67	4560.00	4500.82	4437.63	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	738.67	677.37	667.84	(c)	802.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	509.2*	512.6	512.9	509.3	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	969.15	969.88	962.86	966.43	971.92 (11/5)	870.31 (2/1)

**Saturday May 16: Taiwan Weighted Price: 4356.07, Korea Comp Ex. 585.84.
*Calculated at 15.00 GMT.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 21 May 1992

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Kakok	11.3m	1,130	-60
Sankyu	10.4m	583	+ 13
Jpn Steel Works	6.8m	525	+ 19
Jpn Mtl & Chem	4.7m	750	-45
Isuzu Motor	4.6m	310	+ 15
Suzuki Motor	4.4m	785	+ 25
Dainippon Ink	3.5m	496	+ 8
Gunze	3.1m	655	+ 7
Okamoto Inds	2.9m	1,370	-60
Asahi Chem	2.8m	679	-11

3:15 pm prices May 21

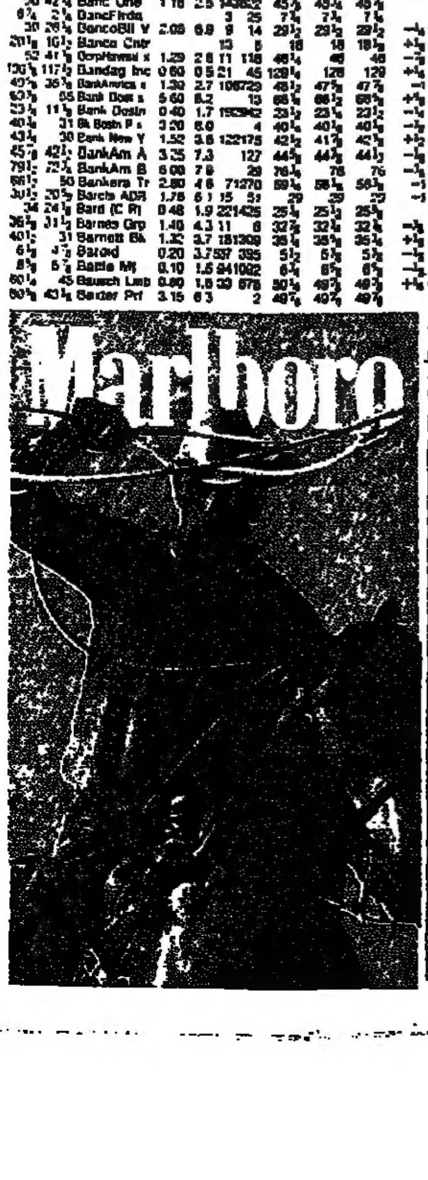
NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12⅞	AAR Corp	0.48	3.6	16	226	13⅞	13	13¼	+⅛
28	20⅝	A L Labs A	0.18	0.8	94	12	23½	23¼	23½	+⅛
63¼	58	AMP Inc	1.52	2.5	25	619	61⅞	61⅞	61½	-¼
90¼	64¼	AMR				1716880	66⅞	65	65	-⅝
2⅞	1⅛	ARX			2	4	1¼	1⅛	1¼	
53½	40⅞	ASA x	2.00	4.5	12	220	44⅛	43⅞	44	-⅜
68⅞	58¼	Abbott Lab	1.20	1.8	24	2646	66⅛	64¾	65⅛	-⅝
13⅞	12	Abitibi Pr	0.42	3.3	6	10	12⅝	12½	12⅝	
11⅞	10½	ACM Gvt In	0.98	8.8		282	10⅞	10⅞	10⅞	+⅛
10⅜	9⅛	ACM GvOpp	0.80	8.4		101	9⅜	9⅞	9½	+⅛
9½	8½	ACM Gvt Sp	0.80	8.9		580	9	8⅞	9	+⅛
11¼	10⅛	ACM Gvt Sc	0.98	8.9		265	10¾	10⅝	10¾	+⅛
9½	8⅞	ACM Man	0.85	10.1		155	u9½	9⅜	9⅜	-⅛
12⅞	10⅝	ACM Managd	1.09	9.3		227	11⅝	11½	11⅝	+⅛
11⅞	6¼	Acme Cleve	0.40	6.2	22	219	6⅞	6⅜	6½	-⅛
5¼	4½	Acme Elect			4	31	5⅛	5	5	+⅛
33¼	18⅞	Acuson			13	453	21⅞	21	21½	-⅜
19½	18⅛	Adams Expr x	0.48	2.6	0	71	18⅞	18¾	18¾	
15½	13	Adobe 1.2Pf	2.40	15.6		377	16⅛	14½	15⅜	
5⅜	4½	Adobe Res			2	5	5	5	5	
49½	39	Ad Micro	3.00	7.4		217	40⅝	40	40⅝	-⅛
21½	14⅞	Ad Micro P	3.00	20.0		67080	15⅛	14⅞	15	+⅛
9⅞	5	Advest Grp	0.18	2.4	67	30	6⅞	6⅝	6⅞	+⅛
71¾	66	Aegon ADR x	1.50	2.2	6	6	67½	67¼	67½	
47	39⅞	Aetna Li	2.76	6.8	8	756	41½	40⅞	40⅞	-⅛
12	8⅝	Amll A x	0.24	2.2	12	204	11	10⅞	10⅞	-⅛
32⅞	24	Aflac x	0.44	1.5	14	832	28⅞	28½	28¾	+⅛
19⅞	15⅛	Ahmanson	0.88	5.1		82235	17⅞	17¼	17⅞	+⅛
22½	7⅞	Aileen Inc			7	198	9⅞	9⅛	9¼	+⅛
49½	38½	Air Pr Chm	0.80	1.7	20	2240	48	47¼	47⅞	
29⅞	14	Airbne Frt	0.30	2.0	12	3119	15⅛	14½	15	+¼
32½	22⅞	Airgas Inc			34	121	31⅞	30⅝	30⅞	-⅛
12⅞	8½	Airlease	1.66	14.5	8	10	11⅞	11¼	11⅞	
104	99½	AlaPw9 16	8.16	8.0		10	102	101½	102	+¼
26⅛	21⅞	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅞	
107	102½	AlaPw9.44	9.44	9.0		z100	102½	d102½	105	+2½
108	102⅝	Alab Pw 11				2	104	104	104	
108½	101½	Alab Pw 9P	9.00	8.7		z100	u105½	103½	103½	-1
105	100¼	Alab 8.28C	8.28	8.0		z100	103	103	103¼	+¼

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅞	14⅝	Brazil Fnd				383	22⅛	21⅞	21⅞	-⅜
31⅞	28⅝	BRE Prop	2.40	7.6	15	74	u31⅞	31⅜	31⅜	-⅛
54⅞	41⅞	Briggs & S	1.60	3.4	14	140	47⅞	46⅞	47⅞	+1
41⅞	32½	Brinkerlnt				282910	32½	d31	31	-1⅝
90⅛	71⅞	Bristol M	2.76	3.8	17	8094	73⅝	72⅞	73	-⅝
57½	39½	Brit Airwy	1.73	3.0	29	1110	56⅞	56⅝	56⅝	-⅜
48½	40⅞	Brit Gas x	3.75	8.3	11	195	45	44⅞	45	+⅛
66⅛	50⅞	BP ADR	4.04	7.0	78	2346	58⅛	57⅞	57⅞	-1
31⅞	27⅞	BP Prudhoe	2.48	8.3	9	193	30	30	30	
1⅞	⅛	BP Wts93				445	⅜	d⅛	⅛	
15⅞	11⅛	Brit Steel	1.70	11.6	6	187	14⅝	14½	14⅝	-⅛
64½	53⅞	Brit Tel	2.72	4.2	10	318	u65⅞	64⅞	65⅛	+⅞
21	15⅛	Broad Inc	0.20	1.2	10	394	16⅞	16⅝	16⅝	-⅜
33	26⅞	BrklnPfd	2.47	9.1		3	27½	27½	27	-½
30⅞	25	Brooklyn U	1.94	6.6	11	78	29⅞	29⅜	29½	-⅛
90	72	BrwnFormaB	2.44	3.3	14	109	75½	74⅛	74⅞	-⅛
28¾	23	Brown Grp	1.60	7.0	24	251	23⅛	d23	23	-⅛
10½	7½	Brown&Shrp	0.32	4.1	43	4	7⅞	7⅞	7⅞	+⅛
24⅞	19⅝	Browning F	0.68	3.2	17	1548	21⅛	20⅞	20⅞	-⅜
3⅞	2	BRT			1	10	2⅛	2⅛	2⅛	
17⅞	13⅝	Brunswick x	0.44	2.8	53	1800	16⅛	15½	15⅞	-⅜
19	12⅞	Brush Well	0.20	1.2	10	202	17⅛	16⅞	17⅛	+⅛
28⅞	25⅞	Buckeye Pt	2.60	9.3	10	22	28	27⅞	28	+⅛
18½	15½	Bunker Hll	1.52	9.4	0	12	16⅞	16⅛	16⅛	
13⅞	11⅞	Burger K I	1.50	11.3	18	80	u13⅛	13⅜	13⅜	+⅛
25⅞	17	Burl Coat			11	274	23⅛	21	21	-2⅝
47⅞	38⅛	Burl North	1.20	2.8	14	2848	43⅞	43	43⅛	+⅛
41⅞	33	Burln Resc	0.70	1.7	27	1764	41⅛	40⅞	41⅛	+⅛
18	14⅝	Burnham Pc	1.36	8.5	48	9	16	15⅞	16	

- C -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37½	31⅞	CBI Ind x	0.48	1.5	19	376	32⅛	d30⅞	31⅛	-⅞
195½	132⅛	CBS Inc x	1.00	0.5	31	209	192⅞	190⅛	190⅞	-⅛
1⅞	⅞	CCX Inc			4	30	1⅛	1⅛	1⅛	
⅞	⅛	CF Inc Uts	0.16	58.9	0	124	⅜	⅜	⅜	
22⅞	14⅞	CMS Energy	0.48	3.0	31	41102	15⅞	15⅝	15⅞	
104½	78½	CNA Finl			8	92	85⅛	83½	83⅞	-2
48	39⅞	CPC Intl	2.40	5.6	16	1208	42⅞	42⅛	42½	-⅛



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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	24⅞	Xtra 1.94 x	1.94	7.2		3	27	27	27	+⅛
37	29½	Xtra Corp x	0.80	2.4	12	15	34⅛	33¾	33¾	-⅜
27	25¼	Yankee Egy	1.60	6.0	12	41	26⅝	26½	26½	-⅛
1½	½	Zapata			56	201	1⅛	1	1⅛	+⅛
11⅛	6¾	ZenithElec			4	528	7⅞	7⅛	7¾	-⅛
18⅞	14½	Zenith Nat	1.00	5.7	8	91	17½	17¼	17½	+⅛
7⅛	6	Zenix Inc x	0.85	12.8		89	6¾	6¾	6¾	-⅛
13¼	11	Zero Corp x	0.40	3.5	18	237	11⅞	11½	11½	+¼
39	31⅛	Zurn Ind	0.88	2.8	34	172	31¾	d31	31⅛	-⅜
14⅛	12¾	Zweig Fund	1.16	9.0		416	13	12⅞	12⅞	
11	9⅞	Zweig Tot	1.00	9.5		665	10⅝	10½	10½	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices May 21

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Forest La		28	609	32⅝	32	32¼	
Frequency		7	37	4	d4	4	
Fr oil.com		19	4360	36⅝	35⅝	35¾	-1
FstAust	1.08		138	u9⅞	9½	9⅞	+⅛
Giant FdA	0.88	15	2716	20½	20	20⅛	+⅛
Glatfltr x	1.40	17	105	28	27½	28	+¼
Goldfield		2	85	⅞	⅞	⅞	-⅛
Greenman		6	30	4⅝	4⅝	4⅝	-⅛
Gulf Cda	0.34	15	692	u7⅞	6¾	7½	+⅝
Hasbro	0.20	28	1726	27⅝	27⅜	27½	
Health Ch		11	24	2¼	2⅛	2⅛	-⅛
NSR Expl		2	40	⅞	⅞	⅞	
Nabors		12	938	6½	5⅞	6	
Nat Pint		3	147	4⅝	3⅞	3⅞	-⅛
New Line		19	140	13⅝	13⅜	13⅜	
NY TimesA	0.56	33	620	30¼	29½	29⅞	+⅛
NthCanOil	0.16	77	4	9⅝	9⅝	9¼	
Noble GlB		1	z100	4⅝	4¼	4½	
NV Ryan		0	327	⅛	⅛	⅛	
Oadica A		41	61	5⅞	5⅜	5⅜	
Olsten	0.24	29	584	29⅞	29⅛	29⅛	-⅛
OMI Corp	0.14	7	78	6⅞	6½	6⅝	
Pall Corp	0.38	25	847	24	d23¼	23½	-⅛
Pegasus G	0.10	33	193	12⅞	12⅝	12⅝	-⅛
Perini	0.80	20	2	13⅞	13⅞	13⅞	
Pet H&P	0.31	15	125	u16¼	14	14	+1⅞
Phil LD	0.25	18	827	u43	42½	42	+1⅛
Pittway A	0.70	16	97	31	30½	31	+½
RB&W Cp		2	12	4½	4	4	
RidelEnv		1	4	2¼	2⅛	2⅛	-⅛
SJW Corp	1.96	9	10	33½	33⅞	33⅞	-⅛
SthnUnion		18	5	14⅞	14⅞	14⅞	
Sterl El		12	9	3⅝	3½	3½	
TII Ind		2	3	1⅞	1⅞	1⅞	
Tab Prods x	0.40	105	z100	9½	d9½	9½	
Tel&Data	0.32	44	141	35	34½	34½	-⅛
Thermedcs		117	749	8¼	7⅞	8¼	+⅛
Thermolns		25	639	u24⅞	24	24⅞	+⅞
Total Pet	0.40	20	68	8⅝	8⅜	8⅜	
TownCntry		0	56	1⅞	d1⅞	1⅞	
Tubes Mex		0	1560	6⅝	6	6⅝	+⅛
UniFoodsA		4	10	1⅞	1⅞	1⅞	
UniFoodsB		6	10	2⅛	2⅛	2	-⅛
UnivPatns		78	71	11⅝	11¼	11½	-⅛
US Cellul		68	5	20⅞	20¾	20¾	-⅛
Viragen		35	z100	15¼	15⅛	15⅛	
WangLab C		1	3	6	6	6	-⅛
WangLab B		1	443	3⅞	3⅛	3⅛	
Wetherld		18	754	u5½	5	5⅜	+⅛
Westamer	0.52	9	154	21⅞	21⅛	21⅛	-⅛
WIREF7	1.12	18	189	13⅞	13⅛	13⅛	-⅛
Worthen		9	18	20⅛	20	20	
Xytronix		17	118	13½	12½	12⅞	+⅛

NASDAQ NATIONAL MARKET

3:00 pm prices May 21

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMERICA

Dow weaker as Fed dashes rate cut hopes

Wall Street

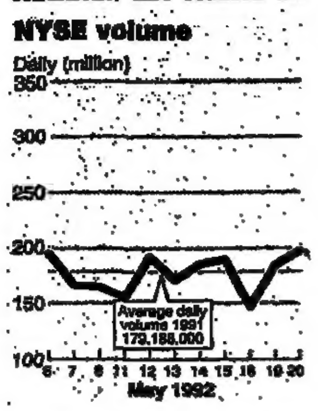
US SHARE prices fell across the board in heavy trading yesterday as hopes for an interest rate cut diminished on reports that the Federal Reserve had decided against easing monetary policy, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 20.98 at 3,372.86. The more broadly based Standard & Poor's 500 fell 2.91 to 412.48, the Nasdaq composite slipped 1.85 to 578.44 and the Amex composite eased 1.23 to 390.92. Turnover on the NYSE was heavy at 114m shares by 1 pm, and declines outnumbered rises by a ratio of more than two to one.

The catalyst for the early losses was a newspaper report that the Fed's policy-making open market committee had agreed at its regular monthly meeting earlier this week not to cut interest rates immediately. Share prices have been buoyed in recent weeks by hopes that the Fed would cut rates to give the sluggish recovery a final push-start, but the report suggests that any easing of policy will have to wait until after publication of the May employment report on June 5.

Market sentiment was also damaged by the weekly jobless claims data, which showed a 10,000 decline in the number of people claiming state unemployment insurance during the first full week of May. The figures, while indicating an improvement in labour market conditions, also reduced the chances of an interest rate cut.

NYSE volume



Among individual stocks, US Shoe dropped $2½ to $12¼ in turnover of ¾m shares after it reported first quarter profits below a year ago and warned that second quarter earnings would also be down on the equivalent period of 1991.

Among financials, Morgan Stanley fell $1⅞ to $51 in active trading after the investment bank reported net income of $139m for the three months ended March 31. The company, which has just changed to a January 31 year from a calendar year, said that global sales and trading activity remained strong, but below the record levels achieved a year ago.

In the same sector Salomon fell $⅞ to $32⅞, giving up some of the gains earned on Wednesday on news that it will not be facing criminal charges because of the bond trading scandal which erupted in August last year. Salomon was ordered to pay $290m fines and compensation to settle civil charges related to the scandal.

On the Nasdaq market, Amgen rose $⅝ to $57⅞ in turnover of 1m shares after the company's chief executive, Mr Gordon Binder, said he was comfortable with analysts' estimates that the group's sales this year will reach $1bn.

Canada

TORONTO remained lower at midday, expecting that the US Federal Reserve would maintain the status quo.

The TSE 300 slipped 16.3 to 3,364.9 on volume of 15.5m shares valued at C$112m. Declines outstripped advances by 269 to 165.

Traders said the dominant feature of the market was a reported diamond find by Dia Met Minerals in the Northwest Territories. The report pushed Dia Met stock up C$⅝ to C$15½ in Vancouver.

Third world hopes follow strong growth

Antonia Sharpe on emerging markets, marked outperformers for the past eight years

After the phenomenal growth in emerging stock markets since the mid-1980s, particularly in Latin America, it is understandable that some fund managers might feel they have missed the boat.

Argentina, which grew by 392.5 per cent in dollar terms last year, has put on a further 25 per cent so far this year, while Hong Kong, widely regarded as a proxy for China's untold economic potential, has risen by 33 per cent in local terms since the beginning of January, reaching record levels in the process.

However, Citibank analysts believe the party is far from over. In their view, emerging markets still offer investment opportunities in the 1990s and are an increasingly important component in reducing risk in global equity portfolios.

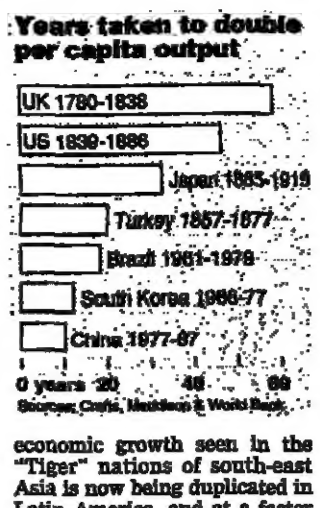
Mr Arnab Banerji, director of the emerging markets group at Citibank Global Asset Management, says the best returns are to be found in developing countries where the application of technology, government commitment to education and the elimination of price distortion together produce steady economic growth.

Mr Banerji told a group of fund managers in Amsterdam last week: "In the third world, notwithstanding the poverty, the growth rate is faster than in developed countries . . . as they attempt to catch up."

He added that since the collapse of the Berlin Wall, many developing countries have accepted that price distortion – in the form of state subsidies, excessive government regulation, or barriers to trade – hinders economic growth and that central planning does not realise the economy's full potential.

Furthermore, the effect of technological advancement on economic growth seen in the "Tiger" nations of south-east Asia is now being duplicated in Latin America, and at a faster pace. In most of these countries, this development has been facilitated by the existence of an educated workforce.

Years taken to double per capita output



Examples of where the three factors of transfer of know-how, literacy, and a reduction in price distortion are evident include India, Brazil, Argentina and Pakistan. However, Mr Banerji warns that equity returns from these countries are likely to be more volatile than those from Chile, Mexico or Malaysia, where the stock markets are more established.

Dutch institutions have been at the forefront of investing in emerging markets. But Mr Marinus Keyzer, chief economist for Pensioenfonds PGGM, the second largest pension fund in Europe, recalls that his enthusiasmwas not shared by all in the mid-1980s.

At the time, sceptics said it would be kinder to hand out the money directly to the poor since they were unlikely to see any of it back.

Since 1984 to April this year, however, total returns from emerging markets have far exceeded those from stock markets in developed countries. For example, total returns on the Latin America index of the International Finance Corporation, part of the World Bank, have reached 840.4 per cent in dollar terms, while the Asia index has produced total returns of 347.2 per cent. This compares with 320.3 per cent for the MSCI World index and 317.3 per cent for the MSCI United States index.

The only continent not to have joined in this development is sub-Saharan Africa, where a series of natural and man-made disasters have led to a severe contraction in economic growth while the population has continued to grow.

Fears of over-population or failure to grow enough food are not justified elsewhere, where an increase in wealth, education and urbanisation has led to a rapid decline in fertility rates and per capita food production has grown.

EUROPE

Fiat's Polish venture lifts Milan by 2.8%

ITALY enjoyed a recovery, but analysts were cautious about its duration after the recent drop to 1992 lows, *writes Our Markets Staff.*

MILAN was boosted by mainly domestic buying of Fiat shares after the car company's announcement of a $2bn joint venture with the Polish carmaker FSM. Other industrial recovery plays, such as Olivetti, Montedison and Pirelli, were also in demand. The Comit index rose 13.4 or 2.8 per cent to 488.41 in relatively heavy turnover of more than L120bn after L95bn.

Fiat jumped L277 or 5.6 per cent to close at L5,237 and reached L5,285 after hours. Analysts said the share was benefiting from a change of sentiment in the market as well as signs of a recovery in its domestic market. These factors made the share a "trading buy" and could push the share back up to L6,000, they said.

However, they warned that the fundamental outlook for Fiat was still cloudy: the Polish car production agreement amounted to little more than trying to expand the profit margin on its smaller models and did not address the company's weakness in Europe's larger car market; there was continued difficulty in the farm equipment sector; and Fiat's ordinary shares already looked expensive, trading on a 1993 price/earnings ratio of 13, compared to 9 for VW and 4 for Peugeot.

The strength in industrials spilled over to the banking sector, as San Paolo rose L100 to L10,850 and Banca Commerciale Italiana added L105 to L3,100.

FRANKFURT became a market of stocks again, after sector strength on Monday – carmakers, engineers and retailers following the settlement of the metalworkers' pay talks – and Wednesday's general upsurge on optimism about the German economy.

The FAZ index rose 1.89 to 719.29 while the DAX fell 2.02 to 1,785.48. Volume fell to DM9bn from DM9.9bn.

FT-SE Eurotrack 100 - May 21

Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1188.32	1188.36	1189.85	1189.63	1188.36	1187.84	1187.36	1187.57

Day's High 1190.21	Day's Low 1186.47

May 20	May 19	May 18	May 15	May 14
1187.82	1180.66	1184.41	1171.24	1179.98

Base value 1000 (26/10/90).

Volkswagen dropped DM6.50 to DM397.50. County NatWest wrote yesterday that VW had given guarantees to finance subsidiaries which, in conjunction with other positions, had lifted contingencies and commitments by 68 per cent to DM7.8bn; a rights issue, said County, was in immediate prospect.

Among second liners Lufthansa fell another DM5 to DM133.50, while Wella rose another DM15.50 to DM644.50 for a gain of DM49.50 this week. The airline delivered poor results a week ago and has fallen 11.4 per cent since then. Wella, the hair cosmetics producer, said at its balance sheet press conference on Tuesday that high provisions, interest charges and losses on new product launches should all be reduced in the current year.

PARIS eased on the last day of the May account as investors locked into their profits. The CAC-40 index ended 14.01 lower at 2,016.83 on volume of about FFr2.6bn.

Sunny weather and arbitrage between the shares and the convertibles pushed Euro Disney up by FFr2 to FFr127. But Eurotunnel eased FFr1.40 or 3.7 per cent to FFr36.85 in a late reaction to the previous day's news that its bankers might withdraw funding unless the company settles a dispute with TML by August.

Chargeurs added FFr10 to FFr1,280 after a positive analysts' meeting and optimism about BSkyB. But Havas dropped FFr7 to FFr535 after the company told analysts that advertising revenue would be flat this year.

Perrier, which is being taken over by Nestlé and Banque Indosuez, was suspended at FFr1,701 as the bidders offered to buy out the remaining minority shareholders, thereby de-listing the shares.

STOCKHOLM continued to be dominated by Astra, turnover in which amounted to SKr150m of total turnover of SKr731m. Astra B unrestricted shares added SKr2 to SKr549, after a jump of SKr19 the previous day, following its positive first quarter results. The Affärsvärlden General index rose 1.8 to 1001.1. Trading was also heavy in Volvo as it B unrestricted share recovered SKr1 to SKr424.

The banking index fell 1.6 per cent as investors worried about credit losses following a bankruptcy petition filed by a small real estate group.

AMSTERDAM eased with the CBS Tendency index closing down 0.2 at 130.0.

Akzo and DSM both weakened by Fl 1 and 90 cents respectively to Fl 160 and Fl 115.40. Fokker, a possible takeover target, lost 50 cents to Fl 35.10. Elsevier shed 90 cents to Fl 112.80: at a presentation in London yesterday the publisher forecast strong earnings growth for the rest of the year.

BRUSSELS saw active trading on the first day of the new forward account, although dividend payments by a number of blue chips pushed the index lower. The Bel-20 index lost 10.33 to 1,213.86. Petrofina, paying a dividend of BFr421 a share, closed at BFr10,900 for a net loss of BFr79.

MADRID's general index rose 0.57 to 260.45 with Endesa up Pta50 to Pta3,770 on news that it had signed a cooperation pact with RWE of Germany.

SOUTH AFRICA

KEEN buying of blue chip industrials pushed the industrial index up 42 to a record high of 4,605. The overall index rose 16 to 3,883, but the gold sector was mostly ignored, with the index shedding 8 to 1,113.

ASIA PACIFIC

Nikkei remains resilient in arbitrage-led trading

Tokyo

SCATTERED buying propped up share prices yesterday as investors remained inactive ahead of the earnings results of leading companies, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 16.36 to 18,691.29 after a day's low of 18,552.99 and high of 18,760.74. Trading was slow due to a lack of corporate news, with arbitrage-related activity leading price movements.

Volume shrank to 270m shares from 320m. Declines led rises by 583 to 409, with 149 issues unchanged. The Topix index of all first section stocks lost 3.19 to 1,391.32, and in London the ISE/Nikkei 50 index was 0.18 up at 1,103.76.

Traders said prices were showing resilience in spite of the lethargic activity. A trader at Baring Securities said sentiment had turned as investors felt that prices had bottomed out. "A month ago, the market would have fallen 600 points on a trading day like this," he added.

However, most market participants believe that the current resistance level of the Nikkei is at 19,000, and some are looking to sell once the index rises to that point.

Dealers continued to target speculative issues on short-term trading. Mitsubishi Kakoki, *the most active stock* of the day, fell Y60 to Y1,130 on profit-taking. Ebara, the industrial pump maker, was sought as an environmental share, gaining Y20 to Y1,560.

Isuzu Motors advanced Y15 to Y310 on rumours that a leading US car maker was increasing its stake in the company.

Sankyu, a transport company, climbed Y13 to Y563 on a strong earnings outlook. Sega Enterprises, the video game maker, put on Y100 to Y10,300 after reporting a two-fold rise in pre-tax profits for the last fiscal year to Y33.5bn. The market was also heartened by its forecast of a 30 per cent increase in pre-tax profits for the current year to March.

Leading consumer electronics groups were weaker. Matsushita Electric Industrial, which posted a 39 per cent *fall* in consolidated pre-tax profits to Y363.4bn, was off Y10 at Y1,370. Sony, which saw a pre-tax profits drop of 44 per cent, slipped Y50 to Y4,310.

In Osaka, the OSE average shed 96.30 to 21,251.85 in volume of 15.3m shares. Small-lot profit-taking depressed Ono Pharmaceutical by Y110 to Y6,200, and Nintendo, the video game manufacturer, dipped Y100 to Y11,400.

Roundup

STRONG exceptions in a generally *easier Pacific* Basin region were provided by Hong Kong and Bangkok.

HONG KONG soared to a record high in heavy trading, buoyed by lower interbank rates and an influx of capital from Thailand. The Hang Seng index shot up 111.85 to 5,865.61 as turnover swelled to HK$4.6bn from HK$3.9bn.

Property counters were the star performers. Hong Kong Land advanced 30 cents to HK$11.90 and New World 40 cents to HK$18.50.

BANGKOK closed sharply higher as investors were reassured by the intervention of the king in the political situation, and by the relative calm following the days of civil unrest. The SET index surged 60.30, or 9 per cent, to 738.67 as turnover reached Bt4.8bn, against Bt4.7bn. Many blue chips rose by their 10 per cent daily limit.

AUSTRALIA focused on a weak banking sector, which tumbled after news late on Wednesday that Westpac had made a loss of A$1.7bn in its fiscal first half, when analysts had expected *a small* profit. It ended down 17 cents at A$3.72, after a day's low of A$3.58.

The All Ordinaries index was a slight 0.6 up at 1,682.6 in turnover of A$309m.

NEW ZEALAND fell on concern over how Australia would perform after the Westpac news. The *NZSE-40* capital index moved in a narrow range before closing 0.34 down at 1,547.09. Turnover jumped to NZ$36.3m from NZ$19.4m.

SINGAPORE declined in quiet trading. The Straits Times Industrial index lost 5.06 to 1,467.81 in S$96.6m turnover.

MANILA closed at a 1992 peak. The composite index advanced 18.60 to 1,376.80 in turnover of 156m pesos. PLDT rose 20 pesos to 1,110 pesos.

SEOUL lost early gains as sentiment turned negative. The composite index was down 6.08 at 573.83.

KUALA LUMPUR finished softer in light trading after an early attempt to add to Wednesday's gains failed. The composite index shed 1.23 to 592.86.

TAIWAN's weighted index rose 3.67 to 4,563.67 in turnover of T$35.8bn, after T$30.1bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	WEDNESDAY MAY 20 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (69)	152.04	+0.8	123.17	124.80	126.63	133.73	+1.0	4.12
Austria (19)	171.83	−0.2	139.21	140.83	143.12	142.90	+0.5	2.05
Belgium (46)	145.84	−0.2	118.15	119.51	121.46	118.50	+0.2	5.13
Canada (115)	127.40	−0.2	103.22	104.41	106.10	110.24	−0.2	3.32
Denmark (35)	238.34	−1.3	193.10	195.33	198.51	200.33	−0.8	1.83
Finland (15)	79.49	−0.9	64.40	65.15	66.20	72.29	−0.7	2.00
France (104)	166.48	−0.4	134.88	136.43	138.65	140.70	+0.3	3.35
Germany (65)	124.15	+0.3	100.59	101.76	103.40	103.40	+1.0	2.24
Hong Kong (55)	239.55	+2.0	194.07	196.32	199.52	237.87	+2.0	3.44
Ireland (16)	162.84	−0.4	131.93	133.46	135.63	137.56	+0.1	3.93
Italy (78)	69.51	+0.0	56.32	56.97	57.89	62.56	+0.7	3.37
Japan (473)	105.60	−0.4	85.55	86.54	87.96	86.54	+0.0	0.98
Malaysia (68)	237.64	+0.3	192.53	194.75	197.92	230.78	+0.3	2.81
Mexico (18)	1616.56	+1.5	1309.67	1324.83	1346.39	5483.54	+1.5	1.04
Netherland (25)	159.29	−0.3	129.05	130.55	132.68	131.09	+0.3	4.26
New Zealand (14)	46.66	−0.5	37.80	38.24	38.86	46.51	−0.4	5.50
Norway (23)	187.88	−1.6	152.21	153.98	156.48	159.25	−1.1	1.60
Singapore (38)	218.39	+0.8	176.93	178.98	181.89	163.94	+0.7	1.99
South Africa (61)	247.62	−0.5	200.61	202.93	206.23	185.06	−0.5	2.74
Spain (50)	160.05	−0.4	129.66	131.17	133.30	121.31	+0.0	5.00
Sweden (25)	199.66	−0.1	161.76	163.63	166.29	170.47	+0.5	2.65
Switzerland (60)	106.21	−0.6	86.05	87.05	88.47	96.89	+0.2	2.21
United Kingdom (226)	200.00	+0.0	162.05	163.91	166.58	162.05	+0.5	4.59
USA (522)	169.50	−0.1	137.32	138.91	141.18	169.50	−0.1	2.94
Europe (789)	156.44	−0.1	126.74	128.21	130.30	129.32	+0.5	3.79
Nordic (96)	182.84	−0.8	148.13	149.85	152.29	149.49	−0.3	2.18
Pacific Basin (717)	111.56	−0.2	90.38	91.43	92.92	92.33	+0.2	1.35
Euro−Pacific (1506)	129.74	−0.2	105.11	106.31	108.05	107.85	+0.3	2.52
North America (637)	166.86	−0.1	135.18	136.78	138.99	165.46	−0.1	2.96
Europe Ex. UK (561)	130.65	−0.2	105.84	107.09	108.84	110.49	+0.4	3.17
Pacific Ex. Japan (244)	170.39	+1.2	138.04	139.66	141.92	151.65	+1.2	3.58
World Ex. US (1700)	131.92	−0.2	106.88	108.12	109.88	109.88	+0.3	2.54
World Ex. UK (1994)	138.28	−0.2	112.03	113.33	115.18	124.86	+0.1	2.45
World Ex. So. Af. (2161)	142.91	−0.1	115.78	117.13	119.04	127.81	+0.1	2.70
World Ex. Japan (1749)	164.96	−0.1	133.65	135.21	137.42	152.31	+0.2	3.27
The World Index (2222)	143.60	−0.2	116.34	117.69	119.61	128.33	+0.1	2.70

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 19 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (69)	150.82	121.59	123.08	124.71	132.41	153.68	140.94	144.87
Austria (19)	172.10	138.74	140.44	142.31	142.26	189.70	162.48	198.24
Belgium (46)	146.19	117.88	119.29	120.88	118.25	148.19	135.87	136.85
Canada (115)	127.61	102.88	104.13	105.51	110.47	142.12	125.60	136.93
Denmark (35)	241.43	194.64	197.02	199.63	202.02	273.94	226.81	242.18
Finland (15)	80.23	64.68	65.48	66.34	72.81	89.80	73.64	113.03
France (104)	167.13	134.74	136.38	138.19	140.28	188.75	148.08	138.60
Germany (65)	123.78	99.79	101.02	102.35	102.35	124.15	114.67	111.85
Hong Kong (55)	234.79	189.29	191.60	194.16	233.13	239.55	178.36	158.00
Ireland (16)	163.45	131.77	133.38	135.15	137.37	173.71	151.78	151.84
Italy (78)	69.52	56.06	56.73	57.48	62.15	80.86	66.39	76.15
Japan (473)	106.04	85.49	86.54	87.70	86.54	140.95	88.70	138.37
Malaysia (68)	236.96	191.04	193.37	195.94	230.12	250.18	212.49	232.36
Mexico (18)	1592.63	1283.97	1299.68	1316.94	5400.63	1789.77	1376.91	994.22
Netherland (25)	159.81	128.84	130.42	132.15	130.67	159.81	147.88	138.88
New Zealand (14)	46.91	37.82	38.28	38.79	46.70	48.52	42.61	53.91
Norway (23)	191.00	153.98	155.87	157.94	160.99	192.95	161.26	201.04
Singapore (38)	216.62	174.64	176.78	179.12	162.87	228.43	192.78	203.09
South Africa (61)	248.93	200.69	203.14	205.84	186.04	263.60	203.16	216.89
Spain (50)	160.71	129.56	131.15	132.89	121.32	160.85	146.86	161.09
Sweden (25)	199.93	161.18	163.16	165.32	169.67	199.93	173.09	182.56
Switzerland (60)	106.81	86.11	87.17	88.33	96.74	107.27	95.99	94.31
United Kingdom (226)	200.07	161.30	163.25	165.42	161.29	200.07	165.85	170.70
USA (522)	169.74	136.84	138.52	140.36	169.74	171.88	160.92	152.36
Europe (789)	156.64	126.28	127.83	129.53	128.74	156.84	139.31	138.68
Nordic (96)	184.36	148.63	150.45	152.45	149.94	188.52	169.66	180.57
Pacific Basin (717)	111.78	90.12	91.22	92.44	92.16	141.97	94.40	137.12
Euro−Pacific (1506)	129.85	104.78	106.04	107.45	107.32	145.21	113.80	138.10
North America (637)	167.10	134.71	136.38	138.20	165.70	169.88	158.70	151.32
Europe Ex. UK (561)	130.92	105.55	106.86	108.26	110.01	131.00	121.81	119.13
Pacific Ex. Japan (244)	168.40	135.76	137.44	139.26	149.78	170.38	149.00	144.75
World Ex. US (1700)	132.12	106.52	107.83	109.26	109.57	146.91	116.45	139.34
World Ex. UK (1994)	138.51	111.67	113.04	114.55	124.77	150.58	127.21	139.96
World Ex. So. Af. (2161)	143.12	115.38	116.80	118.35	127.65	153.05	130.04	142.23
World Ex. Japan (1749)	165.06	133.07	134.71	136.51	152.08	165.06	153.20	147.36
The World Index (2222)	143.81	115.94	117.36	118.93	128.18	153.70	130.66	142.68

FT-Actuaries World Indices - Sweden: ASEA A shares will be added to the Swedish Constituent list with effect 22/5/92, as a result of the Swedish government's recent removal of restrictions on foreign share ownership. Further additions will be made as unrestricted trading starts on the Stockholm exchange in each individual company's shares. Latest prices were unavailable for this edition.